The mutual funds route to Viksit Bharat @2047

pwc

AMFI

Table of contents

Foreword

Navneet Munot
Chairman, AMFI

India stands on the cusp of a transformative era, with 2047 marking a momentous milestone – the centenary of our independence. As we navigate towards this historic moment, we have a unique opportunity to lay the cornerstone of a nation defined by financial empowerment, inclusive growth and economic resilience.

The mutual fund industry in India is poised to play a crucial role in this journey. Over the years, the industry has seen remarkable progress in AUM and SIP contributions. However, this progress only scratches the surface of the true potential. Less than 5% of India's 1.4 billion population actively participates in mutual funds – a stark contrast with mature markets such as the United States, where mutual fund penetration exceeds 50%.[1] Bridging this gap presents both a challenge and an extraordinary opportunity.

By 2047, we envision an India where mutual funds are a tool for wealth creation as well as a foundation of financial security for every household. Achieving this requires prioritising trust-building, technological integration, process simplification and, most importantly, financial literacy. Empowering the next generation of investors with the knowledge and confidence to participate in capital markets will be crucial to unlocking the industry's vast potential.

Our roadmap for the future must focus on innovation, accessibility and inclusivity. India's socioeconomic diversity demands tailored approaches to engaging communities where financial decision making typically is localised and collective. We must go beyond offering various investment products and ensure that these products remain simple, transparent and accessible to investors from all walks of life.

The democratisation of financial wellbeing is within our grasp. However, this requires a concerted effort from all stakeholders – asset managers, advisors, distributors, investors, policymakers, service providers and the media. Together, we must foster an ecosystem that transcends the barriers of geography, income and financial literacy, ensuring that investing becomes a seamless and integral dimension of every Indian's financial planning journey. All Indians should feel empowered to take control of their financial future, from young students to retirees.

I am delighted to introduce this vision document, which presents a comprehensive roadmap for the evolution of the mutual fund industry – from expanding financial inclusion to achieving genuine investor empowerment. The document underscores the critical need to prioritise investor education, balance innovation and risk management, and foster a culture of trust. It challenges us to make investing accessible, intuitive and empowering for all.

While there are valuable lessons to learn from the evolution of the mutual fund industry in mature markets such as the United States, India must forge its own path that aligns with its unique social, economic and demographic realities. We aim to ensure that the mutual fund industry promotes financial inclusion and catalyses sustainable economic growth.

I thank the team at PwC for their insightful contributions to shaping this document. I also wish to acknowledge the instrumental role of SEBI in fostering the industry's growth and ensuring its alignment with the best interests of investors. Together, let us commit to building a mutual fund industry that drives India towards a future of financial prosperity and inclusion.

1 https://www.aninews.in/news/business/only-3-indias-population-invests-in-mutual-funds-indicates-underpenetration-motilal-oswal20241210152216/

Foreword

V N Chalasani
Chief Executive, AMFI

The mutual fund industry has seen remarkable growth in terms of both assets under management (AUM) and number of unique customers over the last five years. The industry AUM has grown by ~175%, from INR 24.78 trillion in April 2019 to INR 68 trillion in January 2025. The number of unique customers increased from 1.93 crore to over 5.33 crore during the same period. The systematic investment plan (SIP) contribution has grown nearly sixfold, from INR 8,055 crore in March 2019 to INR 26,400 crore in January 2025.[2]

Despite this progress, the industry remains in its early stages of development. As India continues its ascent to become the world's third-largest economy by 2030, mutual fund participation remains restricted to a small fraction of the population. This represents a significant challenge as well as an extraordinary opportunity for growth and inclusion.

As we move towards the vision of Viksit Bharat by 2047, our mission is to foster financial wellbeing by building a financially empowered India where mutual funds are a cornerstone of every household's financial future. To achieve this, we seek to increase retail mutual fund penetration from ~3.6% in 2025 to approximately 15% by 2047. While India's saving rate is among the highest globally, a substantial portion of these savings remains invested in low-return instruments, creating unbalanced portfolios. Empowering India's citizens requires that we redirect more of this capital into productive assets such as equities and mutual funds, which have proven their ability to create long-term wealth. This transformation, however, requires a paradigm shift in mindset – from traditional, passive saving habits to active, disciplined and future-focused investing. This shift must be tailored to address the diverse financial behaviours and needs of India's vast and diverse investor base.

Achieving this vision requires a multipronged, investor-centric approach. We must simplify and broaden access to mutual funds, leverage innovation and communicate in ways that resonate with the diverse financial perspectives across the country. At the same time, we must cultivate a robust investment culture while harnessing new-age technologies to make investing seamless and accessible for millions, both in urban and rural areas.

This document is a call to action to all stakeholders – policymakers, asset managers, distributors and individuals. It emphasises the need for collective efforts to boost investor confidence, simplify the investment process and foster a culture of long-term wealth creation. More than a mere roadmap, this vision document represents a shared commitment to drive systemic change, paving the way for a society where financial security and autonomy are within every citizen's reach.

I thank the team at PwC and all the contributors for their dedication and efforts in bringing this document to life. Let us embark together on this transformative journey towards a financially inclusive and empowered India.

2. AMFI data

Executive summary

Six decades into India's mutual fund journey, the industry stands on the cusp of an extraordinary transformation. Its evolution from a single product, single-player model in the 1960s to today's dynamic ecosystem – comprising 40+ asset management companies, over 1,500 schemes, more than 2 lakh active distributors and over 22.9 crore investor accounts (as of January 2025) – reflects not just growth but a fundamental reimagining of India's financial landscape.[3]

Today, India's mutual fund industry epitomises the intersection of technological sophistication and financial democratisation. Our streamlined KYC operations, competitive cost structures and transparent asset disclosure practices set global benchmarks. We pioneered digital-first solutions while retaining the flexibility to serve investors across the socioeconomic spectrum through small-ticket investment options. These accomplishments, however, signify not an endpoint but a foundation for an even more ambitious future.

As we chart our course towards Viksit Bharat 2047, we recognise a fundamental truth: The success of the industry is inextricably linked to the holistic financial empowerment of every Indian citizen. Financial wellbeing represents far more than wealth accumulation or sophisticated investment portfolios; it is a transformative condition where individuals possess the means and the confidence to navigate their financial present and future. It manifests in the ability to meet daily obligations without strain, build resilience against life's uncertainties, pursue aspirations without compromise and craft legacies for future generations. Financial sovereignty – where money enables rather than constrains – is essential to realising the vision of a developed India.

This **Amrit Kaal** marks a defining moment for India's mutual fund industry. It envisions a dramatic expansion on the basis of our estimates, with over 26 crore investors served by around 2047 and AUM scaling to approximately USD 33 trillion. More significantly, this growth will catapult India's mutual fund assets from a current GDP ratio of 19% to over 110%, positioning India alongside global investment powerhouses. These numbers, while impressive, underscore a deeper imperative. As India advances towards becoming a USD 30 trillion economy, the mutual fund industry must continue evolving from being a beneficiary of growth to becoming its catalyst.

The past decade's achievements underscore this potential. Monthly SIP inflows have surged from INR 3,000 crore to INR 19,000 crore, further crossing the INR 26,000 crore mark in January 2025. Further, B30 cities have demonstrated unprecedented momentum, with their AUM contributions rising from 9% to approximately 19% – a remarkable growth rate of ~9.5x in absolute terms. Digital transformation has revolutionised access, with 60% of transactions forming ~21% of the transaction value now occurring digitally, compared to 45% of transactions forming 1% of the transaction value in FY2013.[4]

However, unlocking our industry's full potential requires a fundamental shift in approach. By drawing on insights from transformative successes across sectors – from telecommunications to healthcare – we realise that sustainable change requires more than product innovation. It entails deep cultural resonance, community engagement and solutions that complement rather than replace existing financial wisdom.

To engineer this transformation, we propose a comprehensive framework built on four interconnected pillars:

Strategic orchestration

- Enhanced coordination among industry stakeholders through the Association of Mutual Funds in India's (AMFI) governance mechanism
- Development of regional strategies that respect cultural nuances while driving financial inclusion
- Creation of robust research mechanisms to understand and address behavioural patterns

Infrastructure evolution

- Transformation of registrars and transfer agents (RTAs) into intelligent platforms for handling unprecedented scale
- Implementation of vernacular solutions and intuitive investor journeys
- Development of cloud-enabled capabilities ensuring real-time, secure operations

Regulatory partnership

- Collaborative frameworks balancing innovation with the necessary guardrails
- Development of new product categories that meet emerging demographic needs enhanced disclosure mechanisms that promote transparency while enabling growth

3 https://www.amfiindia.com/Themes/Theme1/downloads/AMFI_Phase1_05042021.pdf
4 AMFI data

Cultural integration

- Region-specific communication strategies that leverage local leadership networks
- Products that align with community financial practices and aspirations
- Technology integration with traditional distribution networks

This vision demands transforming the investor journey by adopting an investor-centric approach with focused attention on the following:

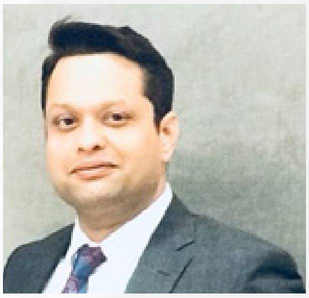
1. Simplified accessibility for all
    - Intuitive multilingual platforms with vernacular support
    - AI-powered personalised and assisted investment journeys
    - Voice-assisted navigation and bite-sized education
    - Collaborative features enabling guided decision making
2. Relevant product innovation and communication
    - Lifecycle solutions reflecting Indian family structures
    - Technology-enabled investment products
    - Strategic offerings bridging current market gaps
    - Cultural alignment in communication strategies
3. Inclusive solutions
    - Accessible platforms for specially abled individuals
    - Flexible investment options for gig economy and blue-collar workers
    - Visual and audio-based systems for limited literacy
    - Community-based comprehensive investor education programmes
4. Behavioural transformation
    - Deep understanding of regional investment psychology
    - Trust-building through community engagement
    - Early-stage financial literacy integration
5. Ensuring last-mile connectivity
    - Hyperlocal guidance through trusted community networks
    - Integration with the existing retail infrastructure
    - Ongoing leveraging of technology to bridge the accessibility gap

The moment before us is unprecedented. Just as the liberalisation of the 1990s laid the groundwork for today's achievements, our decisions today will shape India's financial landscape for generations. The mutual fund industry is uniquely positioned to drive this transformation – not merely as an investment vehicle, but as a catalyst for national development.

As we progress towards Viksit Bharat @2047, success will be measured in assets managed or accounts opened as well as lives transformed. The path ahead demands unprecedented collaboration, unwavering commitment to innovation and a deep understanding of Indian investors' needs and aspirations, where mutual funds serve as the cornerstone of India's financial wellbeing.

The industry's opportunity and responsibility are evident. Through collective action and a shared vision, the industry ecosystem can ensure that financial wellbeing is not just an aspiration but also a reality for every Indian citizen.

Preface



Sidharth Diwan
Partner – Business Transformation, Financial Services
PwC India

The journey towards financial wellbeing is a personal and collective endeavour that transcends metrics and figures, touching the essence of human dignity and autonomy. This document is crafted in the spirit of this journey, aiming to evaluate and redefine what financial success means for millions of individuals across India. As we stand at the crossroads of technological advancement and economic transformation, the question before us is: Are we simply including or genuinely empowering?

Drawing inspiration from various global models while remaining deeply rooted in India's unique socioeconomic fabric, this work explores the potential and necessity of evolving from financial inclusion to financial wellbeing. It examines the pillars of financial security, resilience and freedom, presenting a vision of financial systems as engines of growth for every individual. As we navigate this course, we will highlight the steps necessary to guarantee that financial wellbeing becomes a reality for all, not just a privileged few.

The journey so far

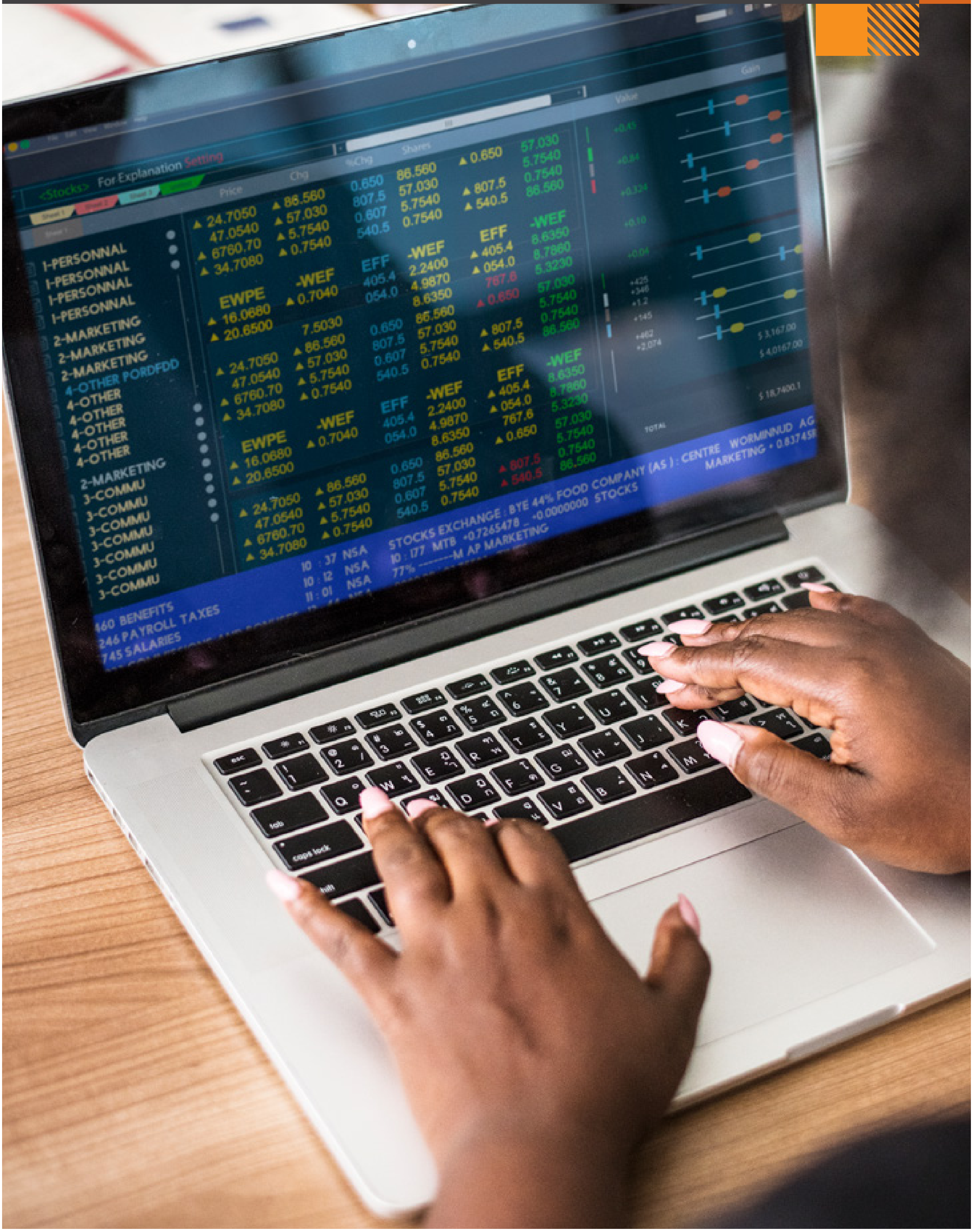
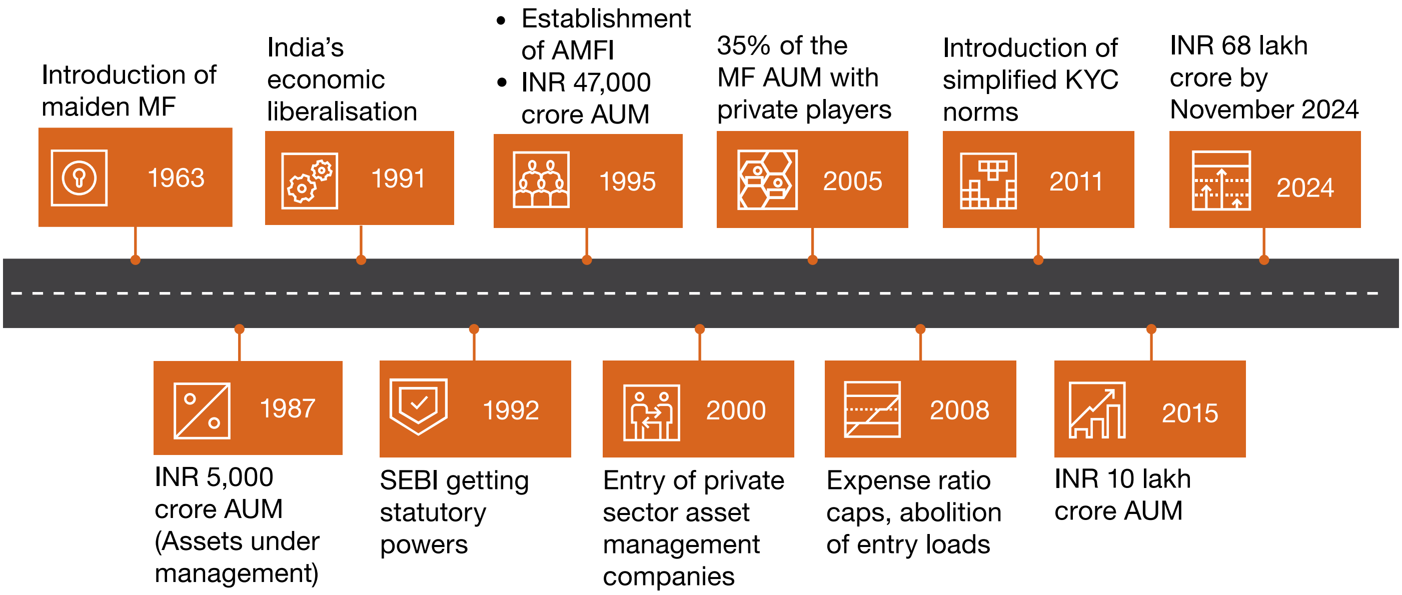


Figure 1: An overview of the key milestones of the mutual fund industry (1963-2024)



A. Phase 1: Laying the foundation (1964–2014)

The evolution of India's mutual fund industry reflects a long journey of expanding investment choices, deeply intertwined with the nation's economic transformation. In 1964, **India's economy was predominantly agrarian**, with agriculture contributing **45%–50% of GDP** and employing nearly **70% of the workforce**.[5] Bank deposits dominated the rudimentary financial sector for retail investors.

The critical challenge was economic. **Persistent inflation of 6%–8% annually**[6] **eroded the value of savings**, with bank fixed deposits averaging only **4%–6%**.[7] This wealth erosion created an urgent need for **alternative investment options**. **The first mutual fund product**, introduced in 1963 with support from the government and regulators, emerged as an **innovative solution to mobilise household savings** and facilitate wealth creation through capital markets.

Phase 1A: The paradox of choice (1964–1987)

The mutual fund industry initially faced the **paradox of limited choice.** Beginning with a single product, US-64 was constrained by **conservative investor expectations** and a **narrow urban demographic**. However, economic reforms in the **1990s gradually** transformed the landscape. **Private sector innovation** introduced specialised schemes and **systematic investment plans** (SIPs), **democratising market access**.

By the mid-2010s, mutual funds had evolved from a singular, government-backed option into a **vibrant ecosystem characterised by flexibility, transparency and investor empowerment.** This evolution highlights the **critical role of choice** – not just as a market strategy, but as a **fundamental mechanism for fostering a more inclusive and dynamic investment landscape.**

The journey from a single, balanced approach to a **diverse array of investment products** illustrates a broader narrative of **financial maturation**. What started as a limited, government-guided investment option has evolved into a sophisticated market that enables **investors to align their investments with personal financial goals and risk tolerances.**

Phase 1B: Expanded choice of players and products (1987–1995)

Macroeconomic and market conditions: The need for diversified choices and regulatory oversight

The **early 1990s** marked a transformative period for India's financial landscape, with profound economic challenges demanding innovative investment solutions. By **1990**, India's fiscal deficit had surged to approximately **8.3% of GDP**[8] – significantly higher than global counterparts like the **United States** and the **United Kingdom** – creating an urgent need for capital generation from within the economy.

5 https://www.niti.gov.in/sites/default/files/2021-08/11_Rural_Economy_Discussion_Paper_0.pdf
6 https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG?locations=IN
7 https://www.bis.org/review/r080218c.pdf
8 https://www.indiabudget.gov.in/budget_archive/es199091/1%20The%20Economic%20Situation%20in%201990-91.pdf

The severe economic strain, compounded by inflation reaching **13.1%** in **1991**[9] and a critical balance of payments crisis, compelled India to implement comprehensive economic reforms. These challenges positioned the mutual fund industry as a vital mechanism for mobilising **retail savings** and channelling **household investments** into the formal financial sector.

The government responded strategically by encouraging **public sector entities** to enter the mutual fund market. Reaching beyond urban elites, access was provided to semiurban and rural investors, leveraging its extensive **8,000+ branch network.**[10]

Alongside market expansion, **the regulatory framework** evolved significantly, starting with the current regulator receiving its **statutory powers in 1992** – a critical development to enforce transparency, protect investor interests and establish fair trading practices. Establishing the **Association of Mutual Funds in India (AMFI)** in **1995** further solidified the industry's commitment to self-regulation and ethical standards.

The results were remarkable. AUM surged from **INR 6,700 crore in 1987**[11] to **INR 47,000 crore by 1995**[12] while the **investor base** expanded from **1.5 million to 6 million accounts**. Approximately **50 new schemes** were introduced, encompassing debt, balanced and cautiously structured equity-linked investments.

Nevertheless, significant challenges remained. **By 1995**, only **25–30% of urban households** possessed basic mutual fund literacy, limiting deeper market penetration. Long-term industry growth would fundamentally depend on **comprehensive investor education** and demystifying these financial instruments.

This period represented far more than market expansion – it was a time of fundamentally reimagining **India's investment ecosystem,** laying the groundwork for a more sophisticated, inclusive and democratised financial sector.

Phase 1C: Expanding product choices: Diverse schemes, increased demand and the advent of private sector innovation (1995–2014)

The entry of private sector asset management companies (AMCs) around the year 2000 revolutionised the industry. By 2005, private AMCs held **35% of AUM**,[13] introducing specialised schemes like **sector-sp ecific funds, equity-linked savings schemes (ELSS) and fixed maturity plans (FMPs)**. Introduced in the late 1990s, **SIPs** encouraged disciplined investments, while **exchange-traded funds (ETFs) and fund of funds (FoFs)** offered retail investors low-cost, diversified options. By 2013, these innovations made mutual funds more accessible to cost-conscious investors.

Regulatory advancements strengthened investor protection and transparency. Key measures included standardised disclosure norms, **expense ratio caps** and the **abolition of entry loads in 2008**, which reduced costs for retail investors. Investor education initiatives, such as the Market Awareness Campaign (2003), boosted financial literacy, with awareness in urban areas rising from **20% in 2005** to **50% by 2014.**[14] The simplified know your customer (KYC) procedures introduced in 2011 further streamlined onboarding, increasing the value of mutual fund accounts to 3.5 crore by 2014.[15]

These developments drove exceptional growth in investor participation and industry AUM, which surged from **INR 47,000 crore in 1995**[16] **to INR 10 lakh crore by 2014.**[17] Retail investors – contributing **50% of total AUM by 2014**[18]– embraced mutual funds as a mainstream choice, aided by SIPs and an expanding distribution network of **75,000**[19] including RIAs and IFAs.

9 https://www.indiabudget.gov.in/budget_archive/es1992-93/4%20Prices%20and%20Distribution.pdf
10 https://epwrf.in/includefiles/c10641.htm#:~:text=In%201975%2C%20the%20Government%20established,by%20the%20end%20of%201969
11 https://www.amfiindia.com/investor-corner/knowledge-center/history-of-MF-india.html
12 https://www.amfiindia.com/investor-corner/knowledge-center/history-of-MF-india.html
13 https://www.sebi.gov.in/sebi_data/commondocs/sumrep_p.pdf
14 https://dea.gov.in/sites/default/files/ATRMay2003.pdf
15 https://www.businesstoday.in/mutual-funds/story/mutual-fund-investor-accounts-rise-on-equity-folios-sebi-139216-2014-12-08
16 https://www.amfiindia.com/investor-corner/knowledge-center/history-of-MF-india.html
17 https://www.amfiindia.com/investor-corner/knowledge-center/history-of-MF-india.html
18 AMFI data
19 AMFI data

Conclusion

The evolution of choice in India's mutual fund industry is a testament to how increasing competition, innovation and regulation have shaped a strong, investor-focused market. The rise in investor literacy, bolstered by a dynamic regulatory framework and innovative product offerings, has democratised access to financial markets, providing new investors the tools and knowledge to engage in wealth creation and economic growth. This journey of choice – from a single product market to a diversified ecosystem – underscores the mutual fund industry's resilience and adaptability in meeting the constantly evolving needs of India's growing investor base.

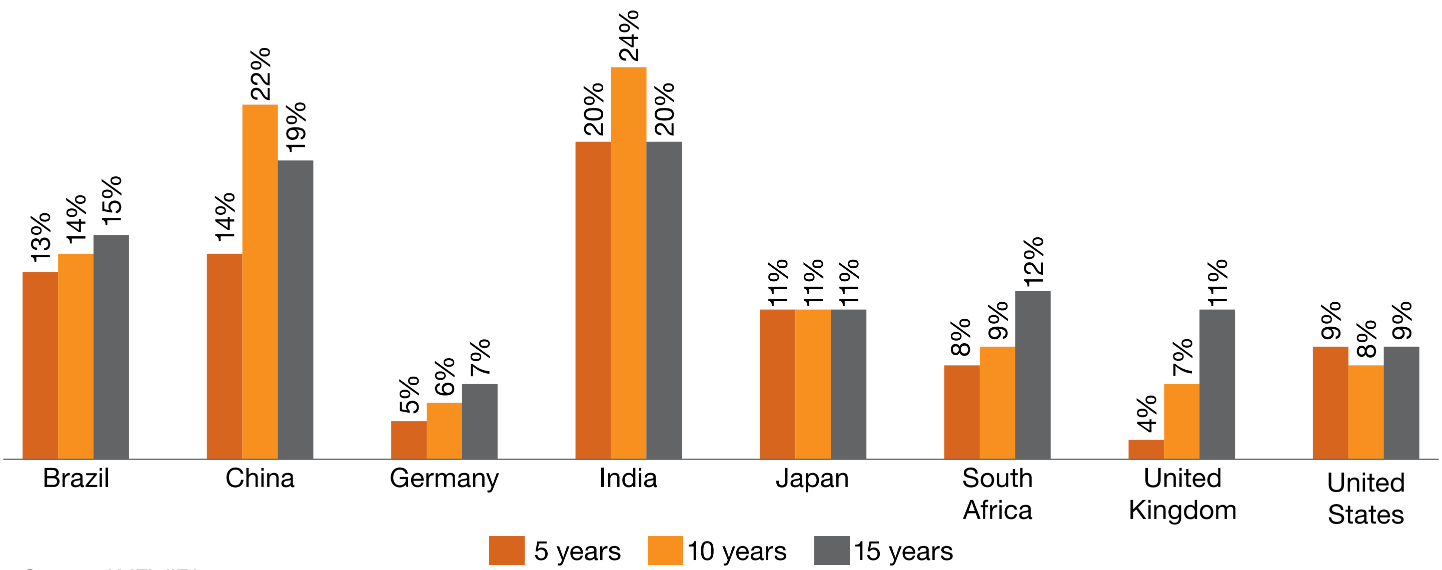
B. Phase-2: Gaining momentum and democratisation (2015–2024)

By 2014, mutual fund industry AUM had surged from **~INR 47,000 crore to ~INR 10 lakh crore**.[20] **In contrast,** SIP AUM accounted for a small fraction, i.e. INR 1,000 crore in monthly inflows,[21] owing to the limited adoption by the more prominent retail investor class stemming from low financial awareness, product understanding and investor psyche. **The years 2015–2024** have been a defining period for the **Indian mutual fund industry**, characterised by significant **democratisation** of investment avenues, unparalleled growth, and a significant broadening of **investor participation**. As the industry evolves, it plays an essential role in supporting the vision of **Viksit Bharat 2047 – a developed India characterised by inclusive and sustainable growth**.

After 2014, India's mutual fund AUM grew exponentially, more than **doubling of the global mutual fund AUM market share from 0.3% to 0.8% by 2023**,[22] expanding from **INR 10.8 lakh crore in 2015**[23] to over **INR 68 lakh crore** by **November 2024 (INR 53.40 lakh crore by March 2024)** [24]– a nearly **sixfold increase**. This exponential growth was fuelled primarily by retail participation, buoyant equity markets and structural shifts in the country's mutual fund and capital market ecosystems, largely mainly by structural changes in the domestic mutual fund and capital markets ecosystem.

Product innovation, regulatory reforms, technological advancements and a strong focus on **investor education**, key drivers of this transformation, have all been instrumental in overcoming the industry's existing challenges and positioning it on an unprecedented growth trajectory.

Figure 2: India's rise as a global mutual fund powerhouse between 2015–2024 - growth rate (%)



Source: AMFI; IIFA

20 https://www.amfiindia.com/investor-corner/knowledge-center/history-of-MF-india.html
21 AMFI data
22 PwC analysis
23 https://www.amfiindia.com/investor-corner/knowledge-center/history-of-MF-india.html
24 AMFI data

The following sections will dive into the critical challenges that existed and the strategic responses being adopted by the industry ecosystem.

A. Existing challenges tackled in this decade

Retail investors seeking to build wealth through mutual funds have faced systemic challenges over the past decade. We have identified the key issues impacting the industry according to investment personas. The three investor personas were as follows:

1. Casual investors (investors who are aware but are hesitant to invest considering market risks and affordability of investments)
2. Informed investors (investors who are willing to invest but lack a confidant)
3. Uninformed investors (those who lack financial education)

Figure 3: Key challenges that hindered mutual fund adoption in India

Casual investor

- Market uncertainty and trust deficit
- Low returns vs alternatives
- Competition from stable alternatives

Informed investors

- Limited reach of distributors
- Metro-centric distribution
- Confidence gap in DIY investing

Uninformed investors

- Low financial literacy
- Preference for traditional investments
- Complexity of MF products

1. The casual investors' conundrum: Balancing market uncertainty and affordability with the lure of stable alternatives

Mutual funds primarily deterred casual retail investors due to the limited trust stemming from **several market corrections and the inherent volatility of equity markets, leading to uncertain market returns.** Net returns on mutual funds were further impacted by elevated **total expense ratios (TERs)** stemming from **exit loads, management fees and commissions.** Thus, **volatile capital markets** and **high investment costs** tempered casual investor sentiments during this period.

The availability of more dependable options, like the **public provident fund (PPF), also reduced the lure of mutual funds.** The PPF stood out for its **sovereign guarantee** with **returns higher than fixed deposits,** offering a secure foundation that was highly attractive to risk-averse investors. Thus, the PPF's positioning as a compelling choice often drew investors away from the more dynamic landscape of mutual funds.

2. Distribution deficits: The accessibility gap for India's 'informed' investors

Despite increasing awareness, India's **mutual fund industry** around 2013–2014 grappled with severe **distribution constraints** compared to the expansive reach enjoyed by the insurance sector. While insurance relied on an extensive pan-India network of over **two million agents**,[25] mutual funds had only approximately **80,000–100,000 AMFI-registered distributors**,[26] concentrated mainly in metropolitan areas. This disparity of reach left **retail investors who were aware yet cautious**, particularly those with smaller investable surpluses, without accessible advisory support to understand the benefits of investing in mutual funds. These investors lacked the confidence to independently invest in equity-linked instruments owing to market volatility and inaccessibility of advice.

25 https://irdai.gov.in/document-detail?documentId=377530
26 AMFI data

3. **Persistent lack of investor awareness**

One of the most significant challenges to fully democratising **mutual funds has been the lack of investor awareness,** particularly outside **urban centres**.

Low **financial literacy** in **Tier-2 and Tier-3** cities and a preference for traditional, more straightforward and perceived-safer options, such as **fixed deposits, PPFs**, and **gold**, hindered broader adoption. Complexities around **fund categories, risk-return dynamics** and new product types further confused uninformed investors, resulting in lower conversion rates and product uptake.

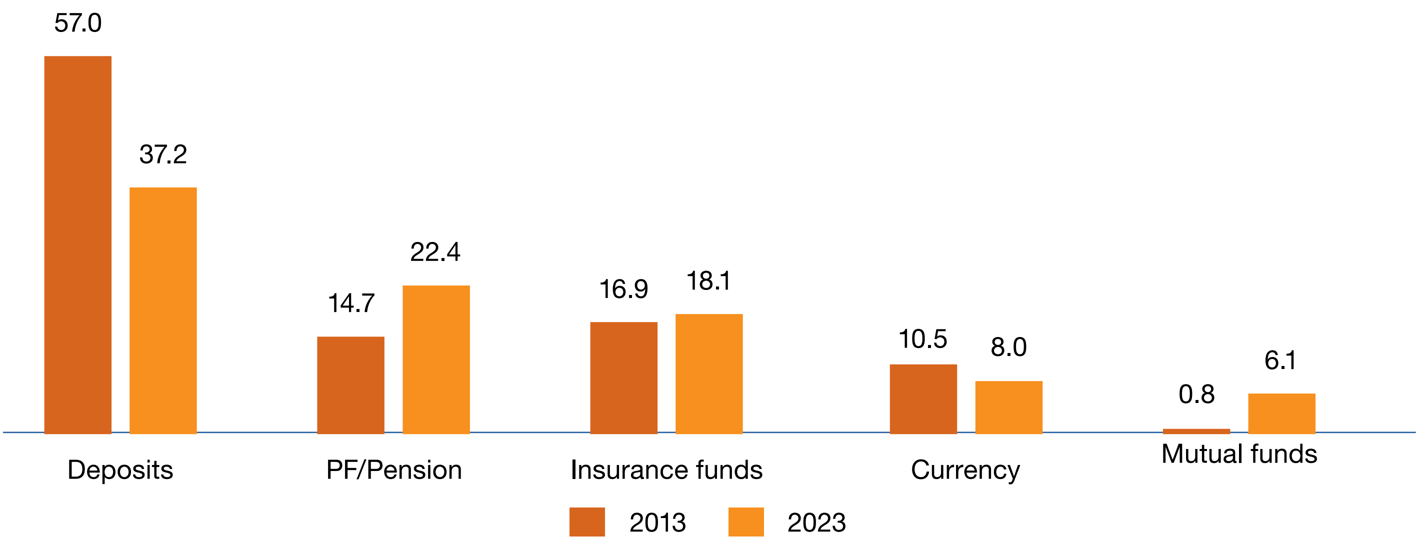
These challenges underscore the complex relationships between structural barriers and behavioural factors. Addressing these issues required the concerted efforts of the regulator, asset management companies, distributors and FinTech platforms. At the same time, the industry leveraged **product innovations, education campaigns and digital platforms** to reduce the gap between potential and actual investor participation.

In the next section, we explore how various interventions – product, technological, regulatory and association-driven – helped mitigate these challenges and propel mutual fund growth in India.

B. Strategic interventions to sustain the scaling momentum

The mutual fund industry's rapid growth in India from 2015 to 2024 is attributed to targeted products, technology-driven, along with association and regulatory, interventions that addressed challenges with respect to returns stability, cost efficiency, accessibility and awareness, broadening and diversifying the investor base.

Figure 4: Growth in share of mutual funds in financial assets of Indian households (in %)



Source: RBI

1. **Empowering casual investors: The focused push to navigate market volatility and high costs**

- **Emergence of SIPs to address market volatility and instil investment discipline**

  The significant uptake of SIPs as a structured investment approach has been a hallmark of this period. This uptake was propelled by several factors, including the emergence of digital **platforms, the ease of KYC and seamless onboarding, focused campaigns and awareness efforts and** positioning SIPs as an accessible low-ticket-size tool to generate wealth and achieve one's financial goals. By reinforcing the principle of cost averaging, SIPs offered casual investors a disciplined, risk-averse method to accumulate mutual fund units across volatile market cycles. AMCs further capitalised on this approach through tactical initiatives like **value SIPs, power SIPs, top-up SIPs and prepaid SIPs. They also leveraged massive awareness campaigns along with the rise of digital platforms.**

- **Direct plans and passive funds:**

  At the same time, direct plans and passive funds rose to prominence, catering to investors seeking cost-efficient and diversified portfolio exposure. **Direct funds eliminated intermediary costs, while passive funds provided investors with a low-cost, index-based entry into capital markets**

  Additionally, given that the alpha generation is known to be elusive in the long run, the lower cost of entry and exit associated with passive investment options has made them increasingly attractive investment options. The expansion of **direct plans' AUM share from 31% to 46% and passive plans from a mere 1.58% to a 17.5% market** share in this period underscored the acceptance of these instruments.[27]

- **Rise of registered investment advisors (RIAs):**

  Introduced in 2013, the **RIA framework** institutionalised fiduciary standards, gradually leading to circa 1000 RIAs,[28] underscoring the demand for personalised **financial planning services**. RIAs prioritise client goals over product sales, fostering **trust** and **long-term engagement** and providing guidance with the investor's best interest in mind. Thus, RIAs empower and enable casual investors to make more informed financial decisions, fostering greater financial resilience.

2. Technological interventions: Enabling seamless accessibility and scalability

Technology has become a transformative force in the mutual fund industry, facilitating **seamless access**, improving **operational efficiency** and improving the **investor experience**. These advancements have leveraged **digital platforms, process automation** and **tech-driven distribution models**, making mutual funds more accessible to an increasingly aware investor base, particularly in **Tier-2 and Tier-3** cities where financial knowledge is growing but traditional investment channels remain limited.

- **Digital-first platforms: Empowering investors**

  The advent of **digital-first platforms** has redefined how investors access mutual funds. These platforms draw in **tech-savvy individuals** while extending their reach to previously **underserved segments** in Tier-2 and Tier-3 cities. These platforms simplify investment journeys with features such as **goal-based investing, real-time portfolio tracking** and **personalised recommendations**, empowering investors to make **informed and independent decisions.**

  These platforms have technologies such as **e-KYC,** Aadhaar-enabled onboarding and unified payments interface (UPI)-based payments, eliminating traditional barriers through **digital distribution** and making investments **seamless and accessible**. The streamlined execution and intuitive user interfaces have created a more inclusive and investor-friendly ecosystem.

- **The role of RTAs: Enabling scalability with precision**

  RTAs are the operational backbone of the mutual fund industry. RTAs leverage **automation**, enabling AMCs to **scale operations** efficiently while ensuring error-free processing and reliable services. This has significantly reduced operational costs and **enhanced efficiency** for AMCs, allowing them to cater to the market's growing demands.

  RTAs also provide **centralised digital platforms**, offering investors real-time access to portfolios, transaction histories and account details, enhancing **transparency and convenience**. Additionally, RTAs empower **FinTech platforms** through API integration, seamlessly delivering mutual fund services to a younger, tech-savvy demographic. Riding the wave of **financial inclusion, ushered in by the Jan Dhan, Adhaar, Mobile (JAM) trinity** coupled with robust **compliance frameworks** and **data integrity protocols,** RTAs have also ensured faster, paperless and more secure investor onboarding while adhering to regulatory standards, enhancing investor ease, confidence and trust across the ecosystem.

3. Association interventions: Advancing investor awareness, financial literacy and investor confidence

Driven by **AMFI** in collaboration with **AMCs**, investor education and awareness have been central to the success of mutual fund democratisation. The industry's growth required ensuring that retail investors understood the benefits and risks of mutual funds while addressing misconceptions. In FY24, AMCs conducted **14,505 programmes** for **10,96,192 participants** nationwide, while AMFI ran an additional **290 Investor Awareness Programmes (IAPs)** for **56,528 participants**.[29]

- **'Mutual Funds Sahi Hai' campaign (2017):**

  This groundbreaking campaign transformed public perceptions by simplifying mutual fund investing and promoting disciplined **SIP-based investments.** By 2024, it reached over **350 million Indians**, resulting in a **30% increase in inflows** within five years and significantly boosting **retail participation**, especially in equity funds. The campaign's success spurred the launch of a follow-up, **'Mutual Funds Mein Fixed-Income Wali Baat'**, which educates investors on debt funds as a safer, reliable hedge against volatility than traditional assets such as FDs.

- **'MFD Shuru Karein' campaign (2022):**

  This campaign intended to expand the network of mutual fund distributors (MFDs) by targeting graduates,

27 AMFI data
28 https://cafemutual.com/news/industry/28940-even-after-10-years-india-has-just-1300-investment-advisors
29 AMFI

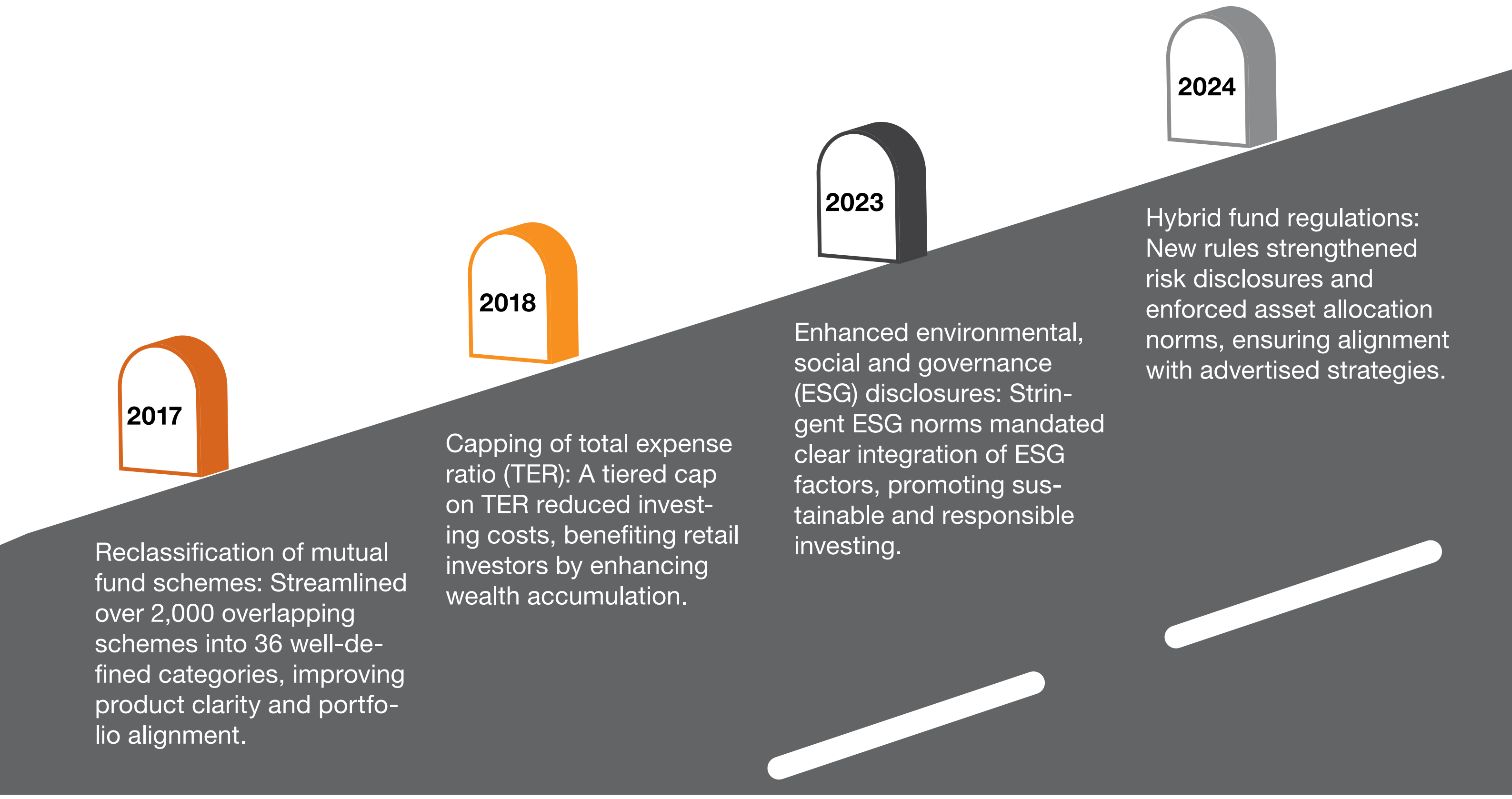
retirees and small business owners, showcasing the earning potential of a career in distribution. **TV, print and digital ads** significantly increased the distributor count, from **1.4 lakh in FY21** to over **2 lakh in FY24**. This initiative has strengthened the distribution system by bridging the gap between investor demand and distributor availability, fostering investor education and ensuring the industry's inclusive growth.

- **Bharat Nivesh Yatra (2024):**

  AMFI's latest effort to enhance awareness, this initiative deploys four branded buses travelling to 170 cities over 75 days, covering financial topics such as goal setting, SIPs and the investment process. Targeting underserved and rural areas, this programme exemplifies AMFI's commitment to expanding investor education nationwide.

4. Regulatory interventions: Advancing cost efficiency, transparency and investor protection

Figure 5: Regulatory milestones - Strengthening investor protection and market transparency in mutual funds



The rapid growth and democratisation of the **Indian mutual fund industry** from **2015** to **2024** were undergirded by **regulatory interventions**. These reforms, along with various **disclosure mandates** around NAV, AUM bifurcation, portfolios, significant unit holdings, commissions, etc., prioritised **investor protection, transparency** and a more **structured mutual fund ecosystem**, addressing areas such as product categorisation, cost reduction and focused incentivisation.

- **Reclassification of mutual fund schemes (2017):** Streamlined over 2,000 overlapping schemes into 36 well-defined categories, improving **product clarity** and **portfolio alignment.**
- **Capping of TER (2018):** A tiered cap on TER reduced **investment costs**, benefitting retail investors by improving **wealth accumulation.**
- **Enhanced ESG disclosures (2023):** Stringent ESG norms mandated the clear **integration of ESG factors**, fostering **sustainable and responsible investing.**
- **Hybrid fund regulations (2024):** New rules strengthened **risk disclosures** and enforced **asset allocation norms**, ensuring alignment with advertised strategies.
- **Incentivisation for B30 markets:** The 30 bps TER incentive (2009) drove **rural penetration,** expanding mutual fund accessibility beyond metropolitan centres.

Conclusion

In summary, the 5x increase in the mutual fund industry measured by AUM over the last decade or so is attributed to the concerted efforts of all stakeholders of the ecosystem. AMCs developed innovative products and made them attractive for average investors (SIPs, FoFs, ETFs, etc.); technological interventions such as digital-first platforms by new-age players and digital tools and infrastructure were established by RTAs to streamline onboarding, settlement, record-keeping and servicing; campaigns were created to drive customer awareness and distribution reach by AMFI (MF Sahi Hai, MFD Shuru Karein); and regulatory interventions were imposed around product simplicity, affordability, democratisation and sustainability (36 categories, hybrid asset class, TER capping, ESG disclosures, etc.)

These interventions created a conducive environment not only for existing stakeholders but also ushered in new entrants, reshaping the ecosystem's supply side. The deployment of quantitative models by niche-focused FinTechs and AMCs catered to an evolving set of expectations from new-age and first-time investors. At the same time, traditional AMCs also charted impressive growth, supported by expanding margins on the back of economies of scale.

The road ahead

Phase 3: Financial freedom: From financial inclusion to financial wellbeing (2025–47)

Over the past few decades, **financial inclusion** has profoundly altered India's economic landscape, bringing millions of individuals from the margins into the formal financial ecosystem. Initiatives such as Jan Dhan Yojana (over 80% penetration),[30] the proliferation of microcredit through SHGs (over 16 crore families)[31] and the expansion of digital payments (70% UPI transactions)[32] have provided households with the tools of financial empowerment. Although the door to inclusion has been opened wide, a more fundamental question arises: **Are Indians indeed flourishing financially?**

For many, inclusion has signified little more than an entry point – a foothold in a system that remains daunting, fragmented and complex. The journey from inclusion to empowerment is incomplete, often leaving individuals vulnerable to financial instability. As the industry charts the course to **Viksit Bharat 2047**, the challenge lies in broadening access and fostering **financial wellbeing** – i.e. a state of security, resilience and freedom that transforms financial systems from enablers into engines of growth.

Section 1: What is financial wellbeing, and why is there a pressing need to address it?

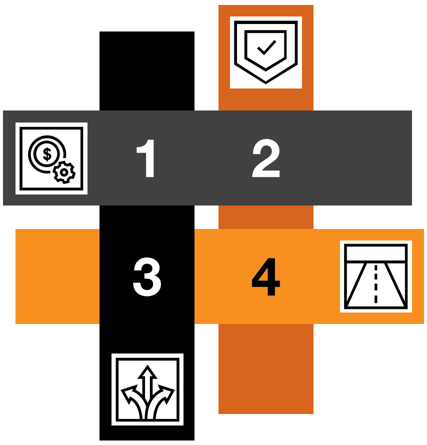
Figure 6: The four pillars of financial wellbeing: A data-driven perspective

1: Control over day-to-day and month-to-month finances

- 57% of Indians are increasingly worried about inflation.
- 34% struggle to manage routine expenses.
- Household savings rate has declined from 23.6% of GDP in FY12 to nearly 18% in FY23.
- Over the past decade, per capita net national income (NNI) grew at 9% CAGR, but private consumption grew at 10% CAGR, reflecting rising financial strain.

2: Resilience against financial shocks

- Out-of-pocket healthcare expenses account for 50% of India's total health expenditure (vs 17% global average).
- About 40 crore Indians remain uninsured, increasing financial vulnerability.
- Rural households face risks like agricultural losses, while urban households deal with job instability, making emergency preparedness critical.



3: Autonomy to make choices

- 75% of Indian retail spending is on essentials (groceries, utilities, etc.), leaving only 25% for discretionary expenses.
- In comparison, 60-70% of household spending in the US and China is allocated to discretionary categories.
- The income divide shapes financial flexibility – i.e. lower-income groups focus on necessities, while affluent consumers drive demand for premium products.

4: A roadmap to achieve financial goals

- 88% of Indians foresee financial instability over the next five years.
- 80% lack clarity on retirement planning.
- Even among affluent households, 40% lack sufficient emergency funds. About 27% face gaps in tax planning.

Financial wellbeing transcends metrics. It is not defined by bank balance or the possession of particular financial instruments. Instead, it is a profoundly personal and dynamic state in which money ceases to be a source of stress, becoming instead a foundation of opportunity. It is about providing the confidence needed to navigate present needs, withstand future uncertainties and pursue long-term ambitions without compromise.

30 https://www.ndtv.com/india-news/10-years-of-jan-dhan-yojana-a-transformative-success-in-financial-inclusion-6434871#:~:text=The%20Pradhan%20Mantri%20Jan%20Dhan,the%20ambit%20of%20financial%20inclusion

31 https://www.nabard.org/auth/writereaddata/tender/status-of-microfinance-in-india-2022-23.pdf

32 https://financialservices.gov.in/beta/en/page/growth-various-modes-digital-payment#:~:text=UPI%20has%20been%20the%20major,month%20for%20the%20first%20time

At its core, financial wellbeing is the transition from financial anxiety to financial independence, underpinned by **four broad pillars** of the architecture of a secure and fulfilling financial life:

1. Mastery over day-to-day and month-to-month finances

Imagine being able to meet every monthly obligation – groceries, school fees or utility bills – without the fear of running out of money before the next paycheck. This control is transformative for countless households, marking the difference between restless nights and lasting peace of mind. It is the foundation of stability, achieved through disciplined financial management where spending and earnings align, and the threat of perpetual debt is banished.

About 57% of Indians are increasingly worried about inflation, while **34% struggle to manage routine expenses.** This concern is underscored by the country's declining household savings rate, which fell from **23.6% of GDP in FY12 to just around 18% in FY23.**

Adding to this challenge is the growing imbalance between income and expenditure. Over the past decade, while per capita net national income (NNI) grew at a **9% CAGR**,[33] private final consumption expenditure (PFCE) expanded at a faster **10% CAGR**,[34] reflecting the persistent pressure of rising consumption. For many households, pursuing aspirations is at the expense of financial stability, eroding their ability to save or invest for the future.

2. Resilience against financial shocks

The unpredictability of life is a universal truth. A sudden medical emergency, an unforeseen job loss or an unexpected home repair can ruin even the most diligent of financial planning. Financial wellbeing demands more than survival; it calls for resilience. This requires creating a financial buffer – a contingency fund that absorbs the brunt of life's shocks. More than a safety net, this buffer is an anchor of emotional strength, empowering individuals to face adversity with courage and confidence.

The lack of preparedness among Indian households is particularly stark, with a significant proportion of the population paying for healthcare **out-of-pocket, accounting** for **50% of India's total health expenditure in 2021**, compared to the global average of 17%.[35]

While health costs are a visible trigger, they are part of a broader pattern of financial instability. The lack of robust emergency funds exposes households to various shocks, from agricultural losses in rural India to job insecurity in urban centres. Despite incremental progress in insurance penetration and saving awareness, **40 crore Indians remain uninsured**,[36] risking financial ruin when emergencies strike.

3. Autonomy to make choices

True financial freedom is rooted in choice – the ability to direct resources towards necessity and aspiration. It is the liberty to say 'yes' to a family vacation, invest in a child's education or seize an unexpected opportunity without financial constraints. This freedom embodies dignity, autonomy and the capacity to live on one's own terms, where decisions are guided by aspiration rather than limitation.

For many Indian households, spending on necessities dominates their financial landscape. With **75% of retail spending allocated to groceries and other essentials**, discretionary spending amounts to only **25%**, curtailing opportunities for quality-of-life upgrades.[37]

By comparison, the US and China allocate **60–70% of household spending to discretionary categories**,[38] reflecting the transformative power of financial flexibility. In India, this divide is most visible across income groups: While lower-income households spend almost entirely on essentials, affluent consumers drive the demand for premium products and lifestyle improvements. For a large segment of the population, freedom of choice is an unfulfilled aspiration, tethered to the constraints of necessity.

4. A roadmap to reach financial goals

Financial wellbeing is as much about the future as about the present. From owning a home to planning for retirement, everyone envisions milestones that shape their financial aspirations. However, these dreams are rarely achieved by chance. Reaching financial goals requires a journey of deliberate action, disciplined planning and an unwavering commitment to purpose. It is the satisfaction of watching ambitions transform into reality, one thoughtful step at a time.

33 https://www.data.gov.in/keywords/NNI
34 https://www.data.gov.in/keywords/PFCE
35 https://pib.gov.in/PressNoteDetails.aspx?NoteId=153237&ModuleId=3&reg=3&lang=1
36 https://www.indiatoday.in/diu/story/40-crore-indians-are-a-medical-emergency-away-from-financial-ruin-2568229-2024-07- 7#:~:text=An%20emergency%20out%2Dof%2Dpocket,any%20financial%20protection%20for%20health
37 https://www.dataforindia.com/consumption-expenditure/
38 https://www.ers.usda.gov/data-products/charts-of-note/chart-detail?chartId=107494

According to surveys, the future for many Indians is fraught with uncertainty, with **88% of respondents anticipating financial instability over the next five years**[39] and **80% lacking clarity on retirement planning.**[40] This ambiguity extends even to affluent households, where **40% lack sufficient emergency funds**[41] and **27% face gaps in tax planning.**[42]

A call to action

The above-mentioned data clarifies that achieving financial wellbeing is not a luxury – it is a fundamental need. Rising costs, fragile safety nets, constrained choices and unplanned futures underscore the urgency of equipping households with tools and strategies to navigate an increasingly complex financial world.

The new frontier

As India marches through the '**Amrit Kaal**', the vision of financial wellbeing is both a national imperative and personal transformation for millions. It shifts the narrative from participating in financial systems to thriving in them.

In other words, 'Financial inclusion was the beginning; financial wellbeing is the destination'. However, this destination demands a closer examination of the challenges that hinder financial wellbeing for households across the socio-economic strata. From rising living costs to unplanned futures, the need for a comprehensive framework that addresses these gaps has never been more pressing.

Financial wellbeing is not one-size-fits-all

While these challenges affect individuals across socioeconomic strata, the meaning of financial wellbeing varies widely depending on particular contexts. For an affluent urban professional, this might mean diversifying investments and planning for retirement. For a farmer in rural India, it could be about ensuring stability through emergency funds and affordable credit. These disparities highlight that **financial wellbeing is deeply personal, shaped by affluence, lifestyle, geography, preferences and aspirations.**

India's socioeconomic diversity contrasts sharply with the homogeneity of most developed economies, where financial systems cater to relatively uniform needs. Thus, directly replicating the strategies of developed markets in India will likely fail to address the country's layered complexities.

For financial wellbeing to be meaningful in this context, **India requires its own approach** that recognises these nuances and tailors solutions to its unique demographic and cultural fabric.

In the subsequent sections, we explore how **mutual funds** can play a transformative role in addressing these gaps and elevating financial wellbeing across the nation, while navigating the challenges of India's layered diversity.

Section 2: Mutual funds – the 'fit for purpose' instrument

India's financial landscape is marked by a growing urgency to transition from inclusion to wellbeing – a shift that recognises its society's diverse financial realities. As aspirations grow and vulnerabilities multiply, the need for a scalable, adaptable and empowering financial tool has never been greater.

Similar to the transformative success of **UPI** – which democratised digital transactions by combining accessibility, versatility and trust – mutual funds are potentially a cornerstone of financial wellbeing in India. UPI's evolution from a niche innovation to a ubiquitous enabler of payments provides a blueprint for mutual funds – simplify, personalise and deliver value at scale.

The core attributes of mutual funds – **access, usage and quality** – establish a foundation for bridging the gap between financial inclusion and financial empowerment. These attributes position mutual funds as a transformative instrument for reshaping the wealth-building opportunities for a broad and diverse investor base.

Access: Bringing wealth creation within reach

Mutual funds have redefined how Indians engage with financial markets by offering unparalleled accessibility. **End-to-end digital platforms (EOPs)** and **do-it-yourself (DIY)** models have transformed investing into a seamless process, enabling individuals to make decisions from the convenience of their smartphones. **Online platforms** facilitating seamless investments, **AMC websites, mobile apps** and **bank channels** ensure that mutual funds are accessible across many touchpoints.

39 https://www.livemint.com/economy/inflation-rising-prices-household-expenditure-fmcg-fmcg-spend-rural-urban-divide-inequality-11718944442708.html
40 https://www.livemint.com/economy/inflation-rising-prices-household-expenditure-fmcg-fmcg-spend-rural-urban-divide-inequality-11718944442708.html
41 https://www.indiatoday.in/diu/story/40-crore-indians-are-a-medical-emergency-away-from-financial-ruin-2568229-2024-07-17
42 https://www.livemint.com/economy/inflation-rising-prices-household-expenditure-fmcg-fmcg-spend-rural-urban-divide-inequality-11718944442708.html

This accessibility extends beyond technology. Mutual funds are distributed through diverse channels, including **distributors, RIAs** and **exchanges**, making them available to millions. This multichannel approach ensures that mutual funds are not merely a tool for the affluent but that they also hold the promise of reaching the farthest corners of India's socioeconomic spectrum.

The success of mutual funds in democratising access reflects the same principles that drove the wide adoption of UPIs. Both instruments have proven their ability to integrate seamlessly into the lives of individuals across geographies and socioeconomic contexts, bringing sophisticated systems to the masses.

Usage: A pathway to building wealth

The promise of mutual funds lies in their ability to deliver **inflation-beating returns** while catering to a broad spectrum of financial goals. Over the past decade, benchmarks like the **Nifty 50** have consistently delivered **11–12% CAGR (2013–23)**,[43] significantly outpacing Consumer Price Index **(CPI) inflation**, which has averaged **5–6%**.[44] For investors, this means that mutual funds both preserve and increase wealth, making them a vital tool for achieving long-term financial security.

Mutual fund affordability further strengthens this proposition. With **SIPs** starting as low as **INR 100 and INR 500**, mutual funds allow first-time investors to participate in financial markets without the burden of large initial commitments. For cost-conscious participants, **direct plans** eliminate intermediary fees, offering a streamlined, low-cost option for wealth accumulation.

Moreover, mutual fund versatility ensures that they align with diverse financial goals. With **1,500+ schemes across 36 categories**,[45] investors can develop portfolios tailored to their risk tolerance, time horizons and specific objectives – whether it's saving for education, purchasing a home or building a retirement corpus.

This ability to cater to varied needs is akin to UPI's adaptability, allowing both microtransactions for individuals and large-scale transactions for businesses.

Quality: Trust built through resilience and transparency

Mutual funds have shown remarkable resilience across economic cycles, offering stability and reliability even in turbulent times. Despite challenges such as the **2008 financial crisis, demonetisation, debt defaults by large financial institutions** and the **COVID-19 pandemic**, the underlying markets have consistently reclaimed their previous highs, confirming mutual funds' reputation as a long-term wealth-building instrument.

Transparency is another cornerstone of the appeal of mutual funds. Governed by **stringent regulations**, they ensure robust investor protection through mandatory disclosures, risk assessments and operational oversight. Unlike unregulated or poorly monitored instruments, mutual funds are a beacon of trust, minimising fraud risks and fostering confidence.

This focus on resilience and transparency mirrors the success of UPI, which gained trust through its secure, government-backed infrastructure and user-centric security measures.

The road ahead: Expanding the reach of mutual funds

Despite this excellent value proposition as a financial instrument, mutual funds' current reach is limited to **5.33 crore investors (as of January 2025)**[46] **vs. over 25 crore online shoppers,**[47] **2.8 crore of foreign travellers**,[48] leaving a vast majority of India's population untapped. Transcending a product-centric approach and adopting an investor-centric journey aligns with the diverse financial aspirations and barriers unique to India's socioeconomic fabric. Such a paradigm shift may help tap into this potential.

A product-centric approach has traditionally shaped the mutual fund industry, focusing on developing various schemes and investment strategies. Communication under this model tends to comprise multiple technical terms. While this approach has driven growth, improving personalisation would better address individual investors' unique challenges and preferences.

In contrast, an investor-centric approach reimagines the role of mutual funds by placing individuals at the core of every decision and interaction. This approach involves understanding India's regional, social and vernacular diversity and aligning offerings and communication with investors' emotional and practical needs. From the initial stages of

43 PwC analysis
44 PwC analysis
45 AMFI data
46 AMFI data
47 https://timesofindia.indiatimes.com/business/india-business/meesho-sees-6-5-crore-unique-visitors-on-day-1-of-festive-season-sale-orders-double/articleshow/113785179.cms#:~:text=According%20to%20a%20report%20by%20research%20firm,it%20tripled%20compared%20to%20business%20as%20usual
48 https://tourism.gov.in/sites/default/files/2024-02/India%20Tourism%20Statistics%202023-English.pdf

awareness and education to onboarding, investment and post investment support, this model ensures that every step in the investor journey is intuitive, relatable and empowering.

Figure 7: Ramesh's dilemma – a guided path to confidence

- **Savings in fixed deposits**
- **Fear of complexity and mistrust**
- **Uncertain about mutual fund investment**

- **Localised campaigns in vernacular languages**
- **Step-by-step onboarding via mobile app**
- **Regular updates and transparent performance reviews**

Consider the journey of **Ramesh, a small business owner from a Tier-2 city**. Although Ramesh has savings locked in fixed deposits, he hesitates to explore mutual funds, feeling overwhelmed by the complexity of fund types and unsure of whom to trust. Under an investor-centric approach, he was guided through vernacular campaigns that resonated with his local context, followed by a simplified onboarding process via a mobile app that guided him step-by-step through his first SIP with clarity. Regular updates and transparent performance reviews have kept Ramesh engaged and confident, gradually strengthening his financial resilience.

Figure 8: Neha's challenge – a smarter investment journey

- **Access to advanced platforms**
- **Struggling to align investments with career goals**
- **Confusion between short-term vs long-term goals**

- **AI-powered personalised investment options**
- **Goal-based investment strategy**
- **Real-time nudges and data-driven insights**

Similarly, **Neha, a young professional** in Bengaluru, might have access to advanced digital platforms but struggles to align her investments with her career aspirations. A personalised digital interface could offer Neha curated options based on her income, goals and risk tolerance, with AI-powered insights nudging her towards smarter decisions.

These examples illustrate the transformative potential of providing solutions during the **entire investor journey**, not merely at the investment point, through sustained education, communication and post-investment support. Understanding the **regional, cultural and economic** nuances that shape investor behaviour will be paramount to achieving this level of personalisation.

Thus, as mutual funds prepare to expand their reach, it becomes imperative to delve deeper into India's unique financial personas. The following section explores the intricate fabric of India's diverse financial mindsets and how mutual funds can adapt to meet the aspirations of a rapidly evolving investor base.

Section 3

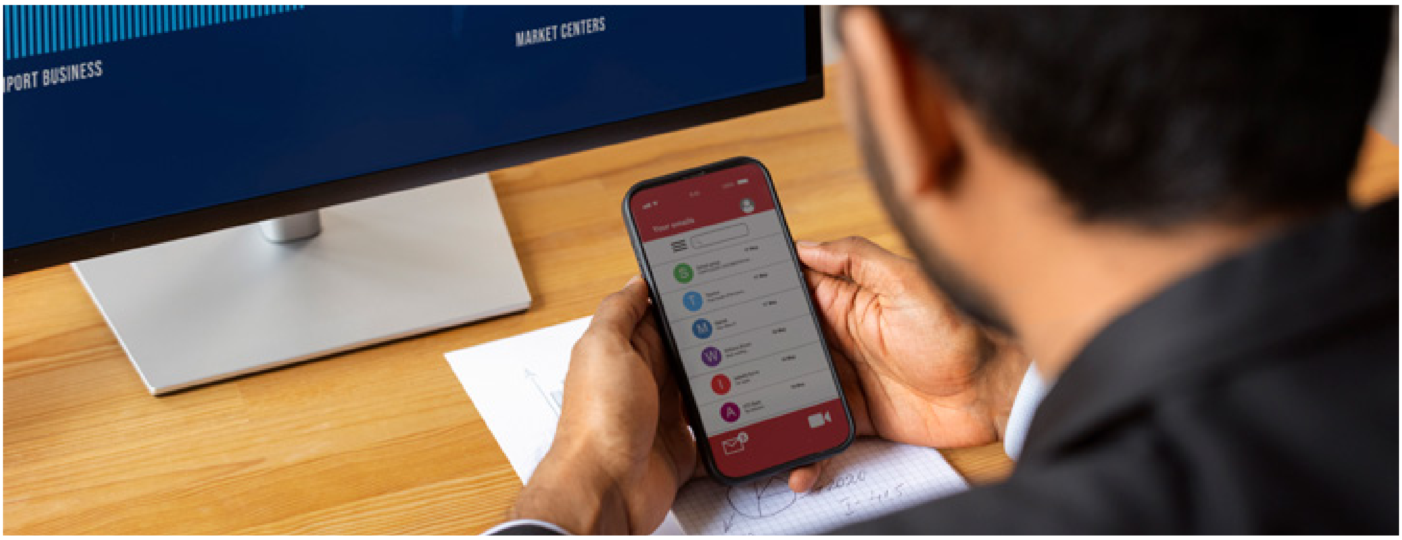
3.1 One nation, multiple financial mindsets: The intricate tapestry of Indian economic behaviour beyond economic stereotypes

India is not just a country, it is a civilization that embodies a nation and this is highly evident through our economic behaviours. Traditional economic frameworks do not stand a chance when confronted with India's complex landscape, where financial decisions are shaped by income brackets as well as intricate layers of cultural memory, community wisdom and generational narratives.

India's economic diversity defies simple categorisation as its unique financial ecosystems showcase diverse approaches to wealth creation. For instance, Surat's diamond merchants, particularly the Palanpuri Jain community, combine conservative saving with aggressive global investments through tight-knit community networks and generational knowledge. In Kadapa, the Reddy community shifts from traditional farming to entrepreneurial ventures, focusing on land, education and diversification. In Bastar, tribal groups prioritise sustainability and community-driven decision making through resource-sharing mechanisms, while Meghalaya's Khasi community operates within a matrilineal structure, where women primarily control wealth and financial decisions.

Figure 9: Diamond merchant in Surat, tribal entrepreneur in Bastar, business owner in Meghalaya

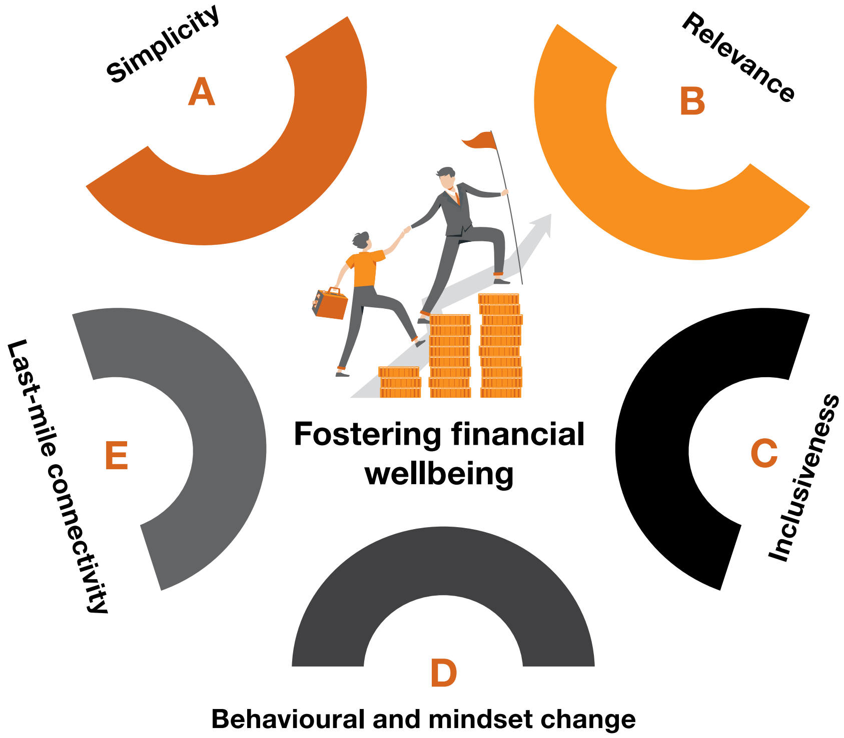
Thus the India's economic fabric thrives not through standardisation, but through a personalised, context-aware approach.



3.2 Key solution themes

The mutual fund industry must prioritise these five key themes to become a catalyst for financial well-being in order to cater to this diverse economic landscape.

Figure 10: Key solution themes



A
Simplicity
Ensuring that they are easily accessible and understandable across diverse contexts

B
Relevance
Making the products and communication resonate with every unique segment

C
Inclusiveness
Ensuring the underserved and untapped segments are not left behind

D
Behavioural and mindset change
Addressing psychological barriers and inculcating an investment mindset and culture

E
Last-mile connectivity
Expanding mutual fund access and driving adoption in Tier-2, Tier-3, and rural markets

These elements are not merely theoretical but practical necessities for the industry to truly empower India's diverse populations. To propel the mutual fund industry towards greater inclusivity and financial wellbeing, five key imperatives are emphasised as follows.

A. Simplicity - Reimagining financial accessibility beyond complexity

Mutual funds are not rocket science; however, they can seem to be considerably complex to the average investor. Although the industry has put in considerable effort to remove the information asymmetry, there is room for further simplification.

Consider the linguistic landscape: Beyond English and Hindi, approximately 400 million Indians communicate primarily in regional languages.[49] These are not insignificant numbers – they represent entire economic ecosystems systematically excluded from sophisticated conversations about finances. While the technical terms are complex conceptually, it is always possible to further simplify and clarify these concepts without losing their essence.

Digital platforms, while revolutionary, have inadvertently become labyrinths of complexity. A young professional in Bhubaneswar faces the same cognitive overload as someone in Bengaluru – i.e. too many choices that lack clarity. The leading interfaces reflect an engineering mindset to developing human-centred design.

But this is where opportunity meets innovation – instead of simplifying interfaces, the goal is to strategically redesign financial communication.

49 https://www.news18.com/news/india/although-widely-spoken-hindi-is-not-the-mother-tongue-of-almost-6-out-of-10-indians-2308927.html

Figure 11: Driving simplification

User-centric designs

Intuitive interface design, vernacular support, simplified language, offline integration

Personalised and guided experience

Need/goal-based personalised journeys, voice-over navigation, nudges and warnings, suggestive-bite-sized educational guides

Collaborative support

One-click assistance, collaborative features, feedback loops

1. User-centric platform design

- **Intuitive interface design:** Interfaces should continue to evolve in line with user-centric design principles, providing a seamless and engaging experience. This entails minimising clutter, using visual hierarchies to guide users and incorporating intuitive navigation to make the investment process straightforward and less intimidating.
- **Vernacular support:** Platforms can reach a wider audience that may not be proficient in English or Hindi through vernacular language options. This inclusion respects the linguistic diversity of India and ensures that language barriers do not confine financial literacy.
- **Simplified language:** The financial world would be demystified and investment products would be even more approachable by using clear, simplified language.
- **Offline integration:** For regions with limited internet connectivity, integrating offline options or hybrid models that combine digital and physical interactions can expand reach. This could include downloadable content, SMS-based updates or partnerships with local community centres to provide in-person support.

2. Personalised and guided experiences

- **Need/goal-based personalised journeys:** Platforms should continue to enhance and build on their existing personalisation strategies, guiding users on journeys aligned with their financial goals and minimising the complexity of an excess of options. By leveraging data analytics and AI, tailored pathways could be created that guide investors from start to finish based on their unique circumstances and objectives.
- **Voice-over navigation:** Integrating voice command functionalities, especially in regional languages, could break down barriers for users who may not be comfortable with text-based navigation. This feature would empower a broader demographic to engage with financial platforms in a manner that feels natural and accessible.
- **Nudges and warnings:** Implementing behavioural nudges and timely warnings could help users make better financial decisions. For instance, reminders about risk levels or prompts to review investments would help investors stay informed and make prudent choices.
- **Suggestive bite-sized educational guides:** Offering short, digestible educational content could provide users with the necessary knowledge to make informed decisions. These guides could be integrated into the user journey, providing context and clarity at crucial decision points.

3. Collaborative support

- **One-click assistance:** User confidence would be enhanced by providing immediate, accessible support through one-click assistance features, such as chatbots, AI-driven help desks or live support options, ensuring users are never stranded in their investment journeys.
- **Collaborative features:** Allowing users to share their investment journeys with family or financial advisors could provide additional support and confidence. Features that enable collaboration could facilitate discussions and decisions, ensuring that users are not navigating financial landscapes alone.
- **Feedback loops:** Providing users with the ability to provide feedback on their experience could help continuously refine and improve the platform. Financial services can adapt and evolve by actively listening to user inputs to meet changing user needs and preferences.

Key considerations for stakeholder action

Achieving mass financial accessibility requires coordinated efforts from key stakeholders. A strategic and structured approach ensures that all players contribute to a more inclusive mutual fund ecosystem.

Asset management companies

- Simplify apps and platforms to enhance user-friendliness and intuitive navigation.
- Leverage AI for personalised experiences, behavioural nudges and interactive educational guides.
- Partner with technology platforms to provide intelligent assistance and user-friendly features.
- Equip the distributor and RIA network with digital and AI-driven tools to facilitate better client conversations and intelligence-driven recommendations.

Financial advisors and distributors

- Develop user-centric platforms that incorporate regional language support and intuitive design.
- Train advisors to communicate financial concepts simply while respecting cultural nuances.
- Utilise AI tools to present investment options clearly and simplify investor decision-making.
- Design clean, prioritised dashboards that minimise cognitive overload.
- Ensure a seamless and consistent experience across both physical and digital channels.

Regulatory bodies

- Continue refining the guidelines for terminology simplification, platform usability and partnering with local communities.
- Encourage hackathons and sandbox initiatives to drive FinTech-led solutions that enhance investor experience and accessibility.
- Strengthen efforts towards system interoperability and open architecture across AMCs to promote seamless collaboration and innovation.

Registrar and transfer agents (RTAs)

- RTAs provide the necessary infrastructure for platform enhancements and seamless integration with financial intermediaries.
- Standardising processes, from onboarding to redemption, across AMCs while ensuring intuitive, small steps
- Vernacular onboarding flows coupled with e-KYC integration to ease the entry process.

By aligning efforts across these stakeholders, financial accessibility would move beyond rhetoric to execution – making mutual funds genuinely inclusive for all segments of society.

The solution requires a thoughtful recalibration of the approach, not oversimplifying. There is a need for:

- contextual design that speaks multiple languages – literally and metaphorically
- interfaces that adapt to individual financial literacy levels
- training programmes that equip financial advisors with emotional intelligence
- technology that simplifies without sacrificing sophistication.

B. Reimagining relevance: Cultural narratives and product innovation in India's mutual fund ecosystem

In the intricate tapestry of India's economic transformation, mutual funds are more than just a financial instrument – they are potentially a catalyst for widespread economic empowerment. To realise this potential, we would benefit from revisiting the understanding that innovation is not about creating uniform solutions but rather about crafting experiences that resonate with India's diverse landscape.

1. Product innovation: A holistic ecosystem of financial solutions

The future of mutual funds potentially lies in products that are not just investments but also life companions. The multifaceted nature of Indian financial aspirations will drive product strategy.

Life-stage and goal-based products

Lifecycle-based hybrid funds are another innovative frontier. Inspired by the US 401(k) system, these funds dynamically shift from equity to debt exposure as investors approach retirement. For women, conservative hybrid funds aligned with financial independence goals can be developed. More customised options consistent with solution-oriented schemes linked to personal milestones, such as weddings, education or home ownership, can foster financial confidence.

Similar to 529 plans in the US, educational investment accounts offer tailored saving solutions for educational goals. These accounts can be adapted to meet state-specific needs, providing tax advantages and investment growth for parents preparing for their children's futures.

Lifestyle-based investment plans synchronise financial planning with personal aspirations, offering portfolios tailored to various life stages or interests, such as travel or wellness. Much like lifestyle brands that resonate with individual identities, this approach integrates financial growth with personal narratives.

The retirement phase, often viewed with apprehension due to income uncertainty, can be transformed through thoughtfully structured systematic withdrawal plans (SWPs), providing retirees with a predictable income stream and turning accumulated wealth into reliable funding of daily living expenses. By customising SWPs to align with individual retirement goals and financial needs, retirees can have peace of mind and financial stability. For instance, SWPs can be designed to gradually reduce withdrawals as other income sources, such as pensions or annuities, ensuring a seamless transition into retirement.

Thematic and specialised funds: Bridging diversity through innovation

In the quest to align investment opportunities with India's vast and varied socioeconomic landscape, thematic and specialised funds are a powerful mechanism to address the unique challenges of Indian diversity. These funds are not just financial instruments but rather vehicles for integrating cultural, regional and personal narratives into investment strategies.

Cultural and community investments

- **Cultural investment funds** can be a transformative tool, designed to support industries that reflect India's rich cultural heritage. By investing in traditional crafts, local artisans and regional tourism, these funds link financial growth and cultural preservation, turning investments into vehicles for sustaining India's diverse traditions.
- **Community-based micro-investment platforms**, inspired by global crowdfunding models, enable rural communities to pool resources and invest in local projects. This approach mirrors the community investment practices common in Africa and Latin America, where local populations drive economic development according to their unique needs.
- **Funds capitalising the key trends** can attract and engage newer segments aligned with emerging trends, including entertainment, lifestyle, fashion, art, religious tourism and content creation. This approach takes its cues from product innovation around South Korean pop culture.

Social and environmental impact products

- **Social impact bonds** offer another innovative frontier. They align financial returns with positive social outcomes and focus on regional challenges, such as **diversity, education, healthcare** or **sustainable infrastructure** development, making these bonds attractive to investors interested in making a tangible difference, similar to successful implementations in global markets.
- **Localised green bonds** of private enterprises, urban local bodies and development finance institutions are used to finance environmental projects that resonate with regional priorities, such as solar farms or water conservation efforts. By aligning with global green bond markets, these investments generate returns and foster local environmental impact.

Technology-driven investment innovations

- **Dynamic risk funds** leverage AI and machine learning to adapt investment strategies based on evolving investor profiles. This personalised approach, much like adaptive learning technologies in education, caters to the diverse financial literacy levels across India by providing tailored risk management solutions.
- **Digital asset platforms** for traditional assets utilise blockchain technology to democratise access to wealth-building opportunities. By **tokening assets** like gold or real estate, these platforms make traditional investments accessible to a broader audience.

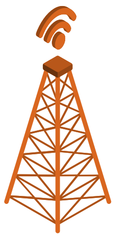
The mutual fund industry can address the diverse needs of India's population more holistically by incorporating these innovative solutions. Through these strategies, investments will be financially rewarding and culturally and socially meaningful, paving the way for a more inclusive and dynamic economic future.

2. Communication and campaigns: The cultural transformation playbook

The most revolutionary campaigns in India's consumer landscape did not replace cultural practices – they enhanced and extended them. This cultural integration approach offers a potent blueprint for mutual fund adoption.

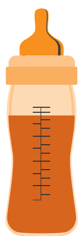
Learning from successful cultural campaigns

Baby diaper brands did not attempt to abolish traditional cloth diapering practices. Instead, they demonstrated how modern diapers could make parenting easier, more hygienic and less stressful. They created products that complemented established parental practices, not replaced them.



The telecom revolution was not about introducing an alien technology, but rather about making digital connectivity an extension of the existing social networks. Industry players created interfaces in local languages and developed region-specific content packages, making the technology feel familiar and accessible.

The Pulse Polio campaign is perhaps the most vivid example of cultural transformation. Rather than attacking traditional beliefs, the campaign worked through community leaders, religious figures and local influencers, transforming vaccinations from a medical intervention into a community movement.



The infant food industry players did not just sell baby food; they became nutrition partners. By understanding regional dietary practices, they created products that complemented traditional weaning methods, making modern nutrition feel like a natural progression.

Mutual fund campaign strategy

In the context of mutual funds, these examples inspire us to give the 'suitability' messages with greater emphasis on the following:

- vernacular interfaces that include local languages
- culturally aligned campaigns that respect local financial wisdom
- financial literacy drives that work through community networks
- multisensory approaches for underserved demographics.

The strategy involves:

- deep ethnographic research
- understanding the micro market
- cultural sensitivity
- adding instead of replacing value.

Key considerations for stakeholder action

Achieving mass financial accessibility requires coordinated efforts from key stakeholders. A strategic and structured approach ensures that all players contribute to a more inclusive mutual fund ecosystem.

Asset management companies

- Assess product viability for culture-, trend- and community-based funds, defining relevant benchmarks.
- Leverage investor behaviour analytics to refine offerings and simplify choices.
- Simplify apps and platforms to enhance user-friendliness and intuitive navigation.
- Equip distributors and RIAs with digital and AI-driven tools for personalised client engagement.
- Collaborate with AMFI for targeted, culturally relevant campaigns.

Financial advisors and distributors (AMFI support could be taken)

- Train distribution networks to effectively pitch new products with a cultural and regional focus.
- Develop region-specific strategies for communicating the benefits and strengths of mutual funds.
- Utilise AI tools to simplify financial concepts and investment decision-making for investors.
- Ensure seamless, user-friendly experiences across both physical and digital channels.

Regulatory bodies

- Continue to evolve frameworks that balance innovation with investor protection.
- Encourage and recognise product innovations that address financial needs while aligning with cultural values.
- Strengthen guidelines for platform usability, interoperability and FinTech-driven investor accessibility.
- Promote hackathons and sandbox initiatives to foster FinTech-led solutions favouring financial inclusion.

Registrar and transfer agents

- Enhance infrastructure to support seamless integration with financial intermediaries.
- Facilitate system interoperability across AMCs to promote investor convenience and accessibility.

By aligning efforts across these stakeholders, financial accessibility can move beyond rhetoric to execution – making mutual funds genuinely inclusive for all segments of society.

C. Inclusiveness: Reaching untapped segments

Figure 12: Personas for untapped segments

Visually challenged individuals

Gig workers
freelancers, delivery pilots,
part-time/temporary workers etc.

Illiterate/semi-literate individuals

1. Visually challenged and specially abled individuals

- Accessible digital platforms: Develop platforms compatible with screen readers and provide audio descriptions for visually impaired users. Ensuring that investment platforms meet accessibility standards can make mutual funds more approachable for those with visual impairments.
- Braille and audio educational materials: Offering educational resources in Braille and audio formats can help visually challenged individuals understand investment opportunities and make informed decisions.
- Partnerships with NGOs: Collaborating with NGOs specialising in supporting the visually impaired can facilitate outreach and provide targeted support, ensuring the design of inclusive financial products.

2. Gig workers – freelancers, delivery pilots, part-time and temporary workers

- Flexible investment products: Develop products that cater to the irregular income patterns of gig workers, such as flexible SIPs that allow for variable contributions based on monthly earnings.
- Tax and compliance guidance: Provide resources and advisory services that help gig workers navigate tax implications and compliance issues related to their investments, simplifying their financial planning.
- Community-based financial literacy programmes: Organise workshops and seminars specifically for gig workers, addressing their unique financial challenges and opportunities.
- Explore partnerships with established organisations and institutions that typically employ such workforces to facilitate their integration into the investment ecosystem. These organisations can manage the onboarding process, paperwork and the option for employees to make voluntary contributions from their payouts, simplifying the overall journey.

3. Illiterate and semi-illiterate individuals

- Visual and audio communication: Develop communication strategies that rely on visual cues, symbols and audio instructions to convey investment information, making investing accessible to those with limited reading skills.
- Local language support: Ensure that all communications and customer service interactions can take place in regional languages, lowering barriers to entry for non-English speakers.
- Simplified onboarding: Streamline the onboarding process with minimal paperwork and straightforward instructions, utilising biometric identification where possible to ease accessibility.

Assessing viability and impact

1. **Data-driven insights:** Conduct comprehensive market research to understand these untapped segments' size and specific needs, ensuring accurate demographic data inform product development. To add some context, India has 62 million visually impaired individuals and approximately 8 million blind people[50] – i.e. roughly 70 million individuals who cannot access the mutual fund industry on their own. Similarly, India has over 280 million illiterate individuals,[51] over 10 million gig workers,[52] about 450 million blue-collar workers[53] and 30 million differently abled individuals.[54]
2. **Pilot programmes:** Implement pilot programmes in targeted communities to test the effectiveness of inclusive financial products and strategies and gather feedback for continual improvement.
3. **Impact measurement:** Establish metrics to assess inclusive financial initiatives' social and economic impact, ensuring that efforts translate into tangible benefits for these communities.

Key considerations for stakeholder action

Asset management companies

- Assess product gaps to ensure the inclusiveness and viability of micro investments.
- Ensure adherence to regulatory guidelines regarding inclusive product structures.
- Evaluate the feasibility and cost-effectiveness of integrating features, such as screen reader compatibility and voice navigation in digital platforms.

---

50 https://www.thehindu.com/news/cities/chennai/62-million-in-india-visually-impaired/article27699902.ece
51 https://m.economictimes.com/news/politics-and-nation/india-has-highest-population-of-illiterate-adults-at-287-million-un-report/articleshow/29545673.cms#:~:text=UNITED%20NATIONS%3A%20India%20has%20by,the%20country's%20rich%20and%20poor
52 https://www.businesstoday.in/latest/corporate/story/social-security-for-gig-workers-labour-ministry-finalising-scheme-to-seek-cabinet-nod-soon-463706-2025-02-06#:~:text=The%20NITI%20Aayog%20had%20estimated,earnings%20with%20no%20safety%20net
53 https://www.weforum.org/stories/2023/04/growth-summit-2023-technology-is-about-to-disrupt-the-blue-collar-workforce-in-emerging-markets/
54 https://yourstory.com/2024/12/delivering-change-flipkarts-inclusive-mission#:~:text=Yet%2C%20for%20the%2030%20million,both%20organised%20and%20unorganised%20sectors

- Partner with technology providers to meet accessibility standards effectively.
- Explore opportunities to collaborate with institutions like AMFI to build platforms that provide the necessary infrastructure for advisors and distributors.

Financial advisors and distributors

- Upskill and train to serve underserved segments, including the visually impaired, gig workers and low-literacy investors.
- Gain expertise in inclusive technologies and financial products designed for these segments.
- Leverage platforms with built-in accessibility features to facilitate better investor engagement.

Regulatory bodies

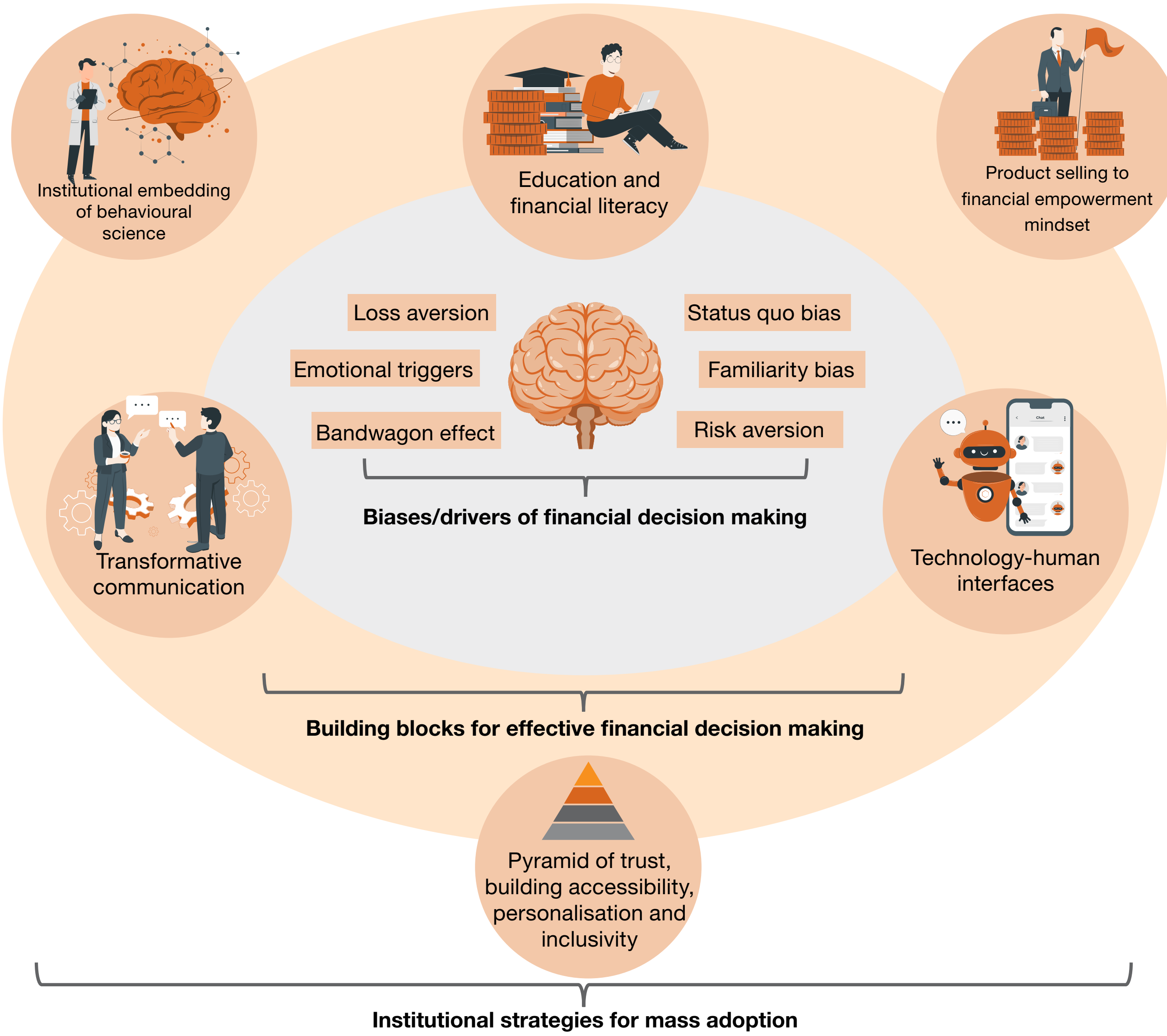
- Continue refining the guidelines to encourage developing inclusive and flexible financial products.
- Enhance the tracking of inclusivity metrics and assess their impact on financial accessibility.
- Establish and enforce standards for accessible and inclusive digital investment platforms.

The mutual fund industry can take tangible steps towards making financial inclusion a reality by aligning these actions, expanding access to underserved segments while fostering long-term economic empowerment.

By focusing on inclusivity, the industry can transform financial products into empowerment tools for traditionally underserved populations. This approach aligns with ethical imperatives and opens up new markets, driving growth and innovation in the financial sector. Strategic investments in accessibility, education and community engagement will help mutual funds develop a more inclusive and equitable financial future.

D. Behavioural and mindset change: Engineering a national investment culture

Figure 13: Strategic framework to drive behavioural and mindset change



I. The psychological landscape of Indian investments

Central to India's financial transformation is a complex psychological terrain shaped by generations of financial conservatism, familial wisdom and deep-rooted economic uncertainties. Investment behaviour is not merely a financial choice but a profound cultural narrative that has been carefully crafted through decades of collective experience.

Indian households have historically viewed money through the lens of preservation instead of growth. In addition to fixed deposits, gold and real estate being investment instruments, they were established protective shields against economic uncertainties. This mindset goes beyond financial caution; it expresses a deeply rooted approach to achieving stability and resilience first, passed down through generations.

Psychological barriers to financial participation

Transforming the mutual fund ecosystem requires first understanding the intricate psychological obstacles to broad financial participation.

1. **Generational financial trauma**

   It is not uncommon for households in India to hold onto shared financial memories of economic hardship. Stories of lost investments, speculative failures and financial setbacks create generational risk aversion. For instance, a family that lost savings during an economic downturn might pass down a narrative of financial hesitance that persists for decades.

2. **Collective decision-making dynamics**

   Unlike individualistic western financial models, Indian investment decisions are complex negotiations involving multiple family members. Individual financial risk differs considerably – a potential loss is not just personal but probably affects the entire family's financial security.

3. **Trust as a primary currency**

   In the Indian context, trust is not a metric calculated through financial ratios; instead, it is a holistic assessment constructed over generations. Financial institutions are evaluated on returns and their ability to demonstrate reliability, stability and alignment with community values.

II. Strategic intervention frameworks

To dismantle these psychological barriers, a multidimensional approach that goes beyond traditional financial literacy is needed.

1. **Neuroscience and behavioural economics in finance**

   Neuroscience of financial decision-making: This requires acknowledging that investment decisions are fundamentally emotional journeys.

   - Map cognitive biases: Understand how loss aversion, status quo bias and fear of complexity prevent financial participation.
   - Develop emotional intelligence in financial communication.
   - Create narratives that address psychological reservations.

   Behavioural economics of mass financial adoption: The ultimate goal is to transform investments from an occasional decision to an instinctive financial habit through the following:

   - default enrolment in micro-SIPs
   - life goal-linked investment reminders
   - contextual nudges that normalise investing.

2. **Cross-cultural and early investment education**

   Cross-cultural investment behaviour research: India's financial ecosystem is a complex mosaic of regional, cultural and economic diversity. The research should accomplish the following:

   - Develop a sophisticated psychological mapping.
   - Create culturally nuanced communication strategies.
   - Design products aligned with community aspirations.

Embedding an investment culture early: Taking cues from various initiatives, instilling an investment culture in the early stages is important, through school curricula **like Money Sense for Youth, Singapore; Financial Capability Curriculum, UK and Money Smart Programme in Australia.** Introducing investment concepts and financial literacy into school curricula cultivate an early understanding and appreciation for financial planning. Educating students about mutual funds and investment strategies fosters a generation that views financial growth as a natural and attainable goal, effectively embedding an investment culture from a young age.

- Introduce investment concepts into school curricula.
- Foster financial literacy from a young age.
- Cultivate a generation that understands financial growth.

The technology–human interface:

- AI-driven personalised financial counselling
- Predictive analytics for individual financial journeys
- Emotional intelligence in financial platforms
- Simplified user experiences that reduce anxiety

3. **Transformative communication strategies**
    - Learn from cross-sectoral innovations by:
        - developing an ‘investor accessibility guide’
        - simplifying financial terminology
        - providing clear, contextual communication
        - ensuring comprehension across linguistic and literacy barriers.
    - Respect existing cultural wisdom.
    - Demonstrate how modern financial instruments complement traditional savings mechanisms.
    - Position investments as tools of empowerment.
    - Create narratives that feel simultaneously revolutionary and familiar.
4. **Institutional strategy**
    - Financial institutions should build upon their successful efforts to drive psychological transformation.
    - Embed behavioural science in distributor training.
    - Develop comprehensive accessibility standards.
    - Create personalised financial communication strategies.
    - Establish trust-building initiatives in sceptical markets.

The deeper transformation

We are not simply creating financial literacy. We are reimagining financial participation as a core principle and a pathway to individual and collective economic empowerment.

The mutual fund industry is at a crossroads. It has an opportunity to transform itself from a financial product provider to a catalyst of economic imagination for millions of Indians. By creating progressive and respectful narratives, we seek to unlock a new era of financial participation.

Key considerations for stakeholder action

Regulatory bodies

- Encourage collaborative studies with financial institutions to explore the role of behavioural economics and cognitive biases in investment decisions.
- Strengthen integration with national financial literacy programmes and expand partnerships with schools to foster early investment literacy.

Asset management companies

- Build trust through transparent communication on pricing, market risks and growth potential.
- Ensure prompt mechanisms to redress grievances and maintain investor confidence.
- Provide personalised updates and nudges to investors, helping them track progress towards their financial goals.

Distributors and influencers

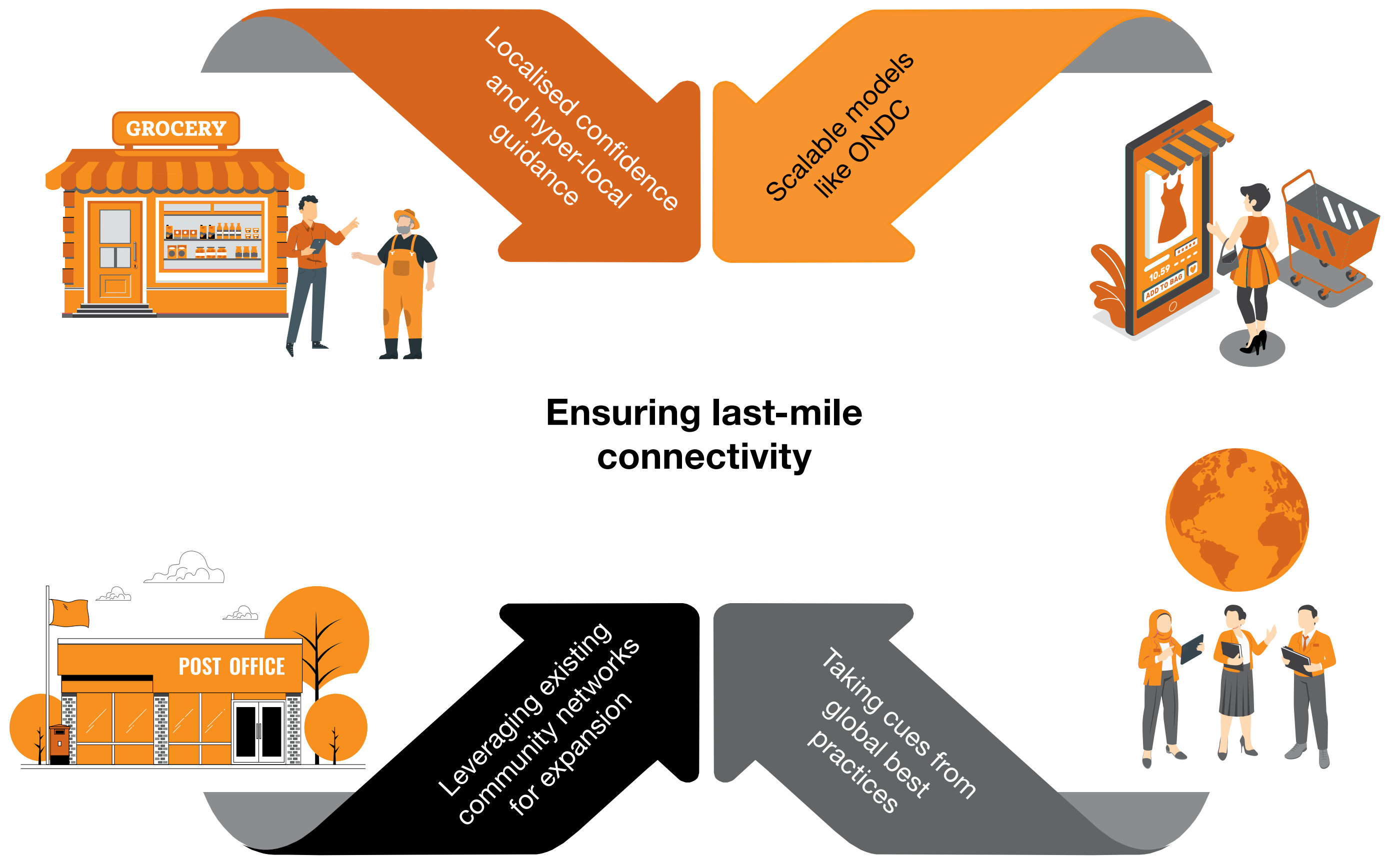
- Highlight the power of compounding through real-life success stories.
- Conduct regular check-ins with investors and offer guidance at key financial milestones.

By embedding behavioural insights into financial strategies, the mutual fund industry can drive a more extensive transformation that increases participation and redefines investing as a fundamental aspect of financial wellbeing.

E. Last-mile connectivity: Bridging gaps in mutual fund access

Expanding mutual fund access to Tier-2, Tier-3 and rural markets requires innovative solutions to ensure last-mile connectivity. Democratising access to mutual funds begins by addressing the dual needs of reach and trust. Despite digital platforms' remarkable progress in breaking geographical barriers, the human connection provided by physical touchpoints is irreplaceable – particularly for first-time investors seeking confidence and transparency before making financial decisions. Collaborations such as AMCs partnering with the Open Network for Digital Commerce (ONDC) illustrate how financial products can be integrated into everyday spaces, such as kirana shops, turning these hubs into accessible financial touchpoints.

Figure 14: Strategic levers to ensure last-mile connectivity



1. **Localised confidence and hyper-local guidance:** A farmer visiting his neighbourhood kirana shop to buy daily essentials could now encounter an opportunity to invest in mutual funds. At this crucial juncture, a knowledgeable local advisor – the shop owner or a trained facilitator – could make all the difference. This type of hyper-local guidance would address cultural and financial barriers, fostering trust and empowering individuals to take their first steps towards financial investment.

2. **Scaling models like ONDC for greater impact:** Stakeholders should continue to look for ways to integrate physical and digital networks to replicate and scale such initiatives across the industry. The key strategies include:

   - **Financial kiosks in local markets:** High-traffic kiosks staffed by trained advisors could explain mutual fund products in regional languages while offering real-time onboarding with mobile technology.
   - **Empowering local shop owners as financial ambassadors:** Kirana shop owners could be equipped with digital tools to onboard customers, explain products and facilitate small-ticket SIPs, replicating the success of India's Common Service Centres for government services.

3. **Leveraging existing community networks for mutual fund expansion**

   Jan Seva Kendras, post offices and cooperatives provide community trust and accessibility that can be harnessed to expand mutual fund participation. By partnering with these entities, mutual funds could extend financial literacy initiatives, offer localised advisory services and facilitate personalised onboarding of new investors. Integrating mutual fund offerings into these networks leverages their existing infrastructure to provide real-time access and transactions, building on their credibility to foster trust and overcome investment scepticism. Furthermore, these centres would serve as valuable feedback channels to continuously refine and improve mutual fund products and services to meet local needs better.

4. **Global best practices for last-mile connectivity:** International examples provide valuable insights. In **Kenya**, investment products have been seamlessly incorporated into mobile wallets, reaching unbanked rural populations. **Brazil's correspondent banking** programme enabled local businesses to act as financial agents, while **China's rural financial service stations** brought advisory services to remote villages. These models illustrate the importance of blending technology with localised engagement.

Building scalable infrastructure and trust: To ensure scalability, AMCs and RTAs may consider investing in robust infrastructure supporting local training, vernacular outreach and digital onboarding. Technology would continue to be crucial in bridging access and addressing gaps, enabling efficient service delivery and greater inclusion. Simplified small-ticket SIP processes, incentives for distributors and the intermediary network and micro-investment options can encourage participation while building trust. This dual approach fosters sustainable growth and long-term investor confidence.

Towards ubiquitous financial inclusion: Imagine a future where mutual funds are as accessible as daily essentials, available at every corner store and through every smartphone. By leveraging industry collaboration, initiatives like ONDC and global best practices, the mutual fund ecosystem has the potential to become a cornerstone of financial inclusion, democratising wealth creation and empowering every Indian to participate in the nation's economic growth.

Key considerations for stakeholder action

Regulatory bodies

- Continue to encourage and support mutual fund adoption in less penetrated markets through targeted incentives.
- Develop a localised guidance framework to develop partnerships with community networks.
- Clarify and enhance guidelines to ensure transparency in eligibility, roles, responsibilities and commission-sharing.

Asset management companies

- Reassess distribution strategies, ensuring a balance between traditional distributors and local influencers.
- Establish physical touchpoints for investors and partners to resolve issues efficiently.
- Partner with local entities with existing touchpoints, such as banks, post offices and cooperative networks.
- Equip local partners with training, guides, content and digital tools to facilitate onboarding.

Registrar and transfer agents

- Build scalable infrastructure to support seamless expansion into Tier-2, Tier-3 and rural markets.
- Enable smooth integration of onboarding processes via local touchpoints, ensuring accessibility and efficiency.
- Continue to build on system resilience and data integrity through suitable use of encryption, AI-driven threat detection, and redundant, geographically distributed data centers for uninterrupted services.

Distributors and influencers

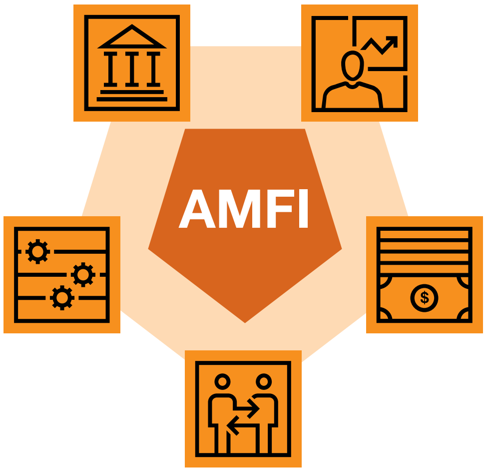
- Provide ongoing hand-holding and personalised assistance to first-time investors.
- Leverage real-time onboarding tools and digital platforms for seamless investor participation.
- Use interactive educational guides to provide simple and relatable explanations of investment processes.
- Organise regular meetups to provide updates, gather feedback and address investor concerns, prioritising trust and long-term engagement.

The mutual fund industry can transform accessibility and trust by strategically integrating technology with local engagement, making mutual funds as ubiquitous and essential as daily financial transactions.

Section 4: AMFI as an enabler: Role as the central orchestrator

The transformative journey of India's mutual fund industry towards 2047 hinges critically on three enabling factors: **Strategic orchestration, infrastructural resilience and regulatory sophistication**. These interconnected domains represent the vital architectural foundations determining the industry's capacity to scale, innovate and democratise financial participation across the nation's diverse socioeconomic landscape.

Figure 15: AMFI - Orchestrating a unified ecosystem for financial empowerment



Regulators

Goal: Ensuring market stability and investor protection

AMFI's role:

- Facilitating regulatory dialogue for balanced policies
- Strengthening governance and ethical distribution practices
- Advocating for risk-appropriate investor incentives

Investors

Goal: Financial empowerment through accessibility and informed decision-making

AMFI's role:

- Simplifying investor education and onboarding
- Enhancing trust via transparency and disclosures
- Promoting financial inclusion via vernacular campaigns

Registrars and transfer agents (RTAs)

Goal: Seamless fund operations and investor servicing

AMFI's role:

- Promoting efficiency via digitisation and automation
- Driving interoperability between platforms
- Enforcing robust data security and compliance

Asset management companies (AMCs)

Goal: Product innovation and sustainable growth

AMFI's role:

- Advocating flexible regulations for new-age products
- Encouraging ESG integration and investor-centric fund design
- Establishing standardised operational frameworks

Distributors

Goal: Ensuring market stability and investor protection distributors

AMFI's role:

- Empowering distributors with training, resources and digital tools to enhance efficiency and reach
- Promoting fair compensation and ensuring regulatory compliance for investor protection
- Expanding distribution networks to increase mutual fund access in underserved areas

As the mutual fund industry approaches 2047, its evolution requires a cohesive, adaptive and collaborative framework in which a central entity harmonises the ecosystem and balances the needs of investors, distributors, AMCs and regulators. AMFI is uniquely positioned to play this role as a facilitator and orchestrator of an inclusive and forward-looking mutual fund ecosystem.

As the industry's unified voice, AMFI will continue to advocate for the following:

- policy and regulatory reforms that balance innovation with investor protection, ensuring flexibility for AMCs to experiment with new-age products
- standardised frameworks for operational efficiency, such as universal onboarding protocols, simplified KYC processes and enhanced disclosures
- localised strategies that guide AMCs and distributors in penetrating underrepresented regions while maintaining cultural sensitivity and trust.

Driving ecosystem collaboration: The conductor's role

AMFI can align the mutual fund ecosystem's disparate stakeholders – investors, regulators, AMCs, distributors and RTAs – into a collective movement for achieving financial empowerment.

Figure 16: AMFI - Driving ecosystem collaboration

1. **Scaling mass campaigns with local flavour:** Building on the success of investor awareness campaigns such as 'Mutual funds sahi hai', AMFI can scale these initiatives into localised, regional formats reflecting the aspirations and challenges of India's diverse communities by:
    - tailoring campaigns for Tier-2 and Tier-3 cities, focusing on wealth stability and trust.
    - introducing vernacular media strategies that resonate with different states' cultural and linguistic nuances.
2. **Championing investor-centric policies:** As the industry's representative body, AMFI could advocate for regulatory policies that democratise access and protect investor interests. For example:
    - promoting SWPs as a cornerstone of retirement planning and reliable instruments for financial freedom.
    - negotiating sustainability-linked incentives, encouraging AMCs to integrate ESG principles into their funds while maintaining long-term ecosystem stability.
3. **Facilitating research and insights:** AMFI could establish itself as the thought leader of the Indian mutual fund industry to stay ahead in a dynamic global market, conducting in-depth research on the following topics:
    - regional financial literacy disparities and strategies to uplift low-literacy states.
    - behavioural patterns that drive investment decisions across demographic segments, leveraging cross-cultural studies to guide AMCs' product innovation.
    - measuring the industry's inclusivity and accessibility using novel frameworks like the Inclusivity Index, Accessibility Score and Financial Empowerment Quotient.

By 2047, success will be measured not just by transaction volumes or technological sophistication, but by the ecosystem's ability to democratise financial knowledge, reduce entry barriers and create pathways for inclusive wealth generation across India's socioeconomic spectrum. Progress towards this vision requires continuous evolution, collaborative innovation and an unwavering commitment to balancing technological advancement with human-centric design principles.

Section 5: Impact and conclusion

If the strategies and interventions outlined in **Phase 3** are executed effectively, the mutual fund industry will be poised to achieve the ambitious milestones envisioned for India's financial future. As **Amrit Kaal** progresses – ushering in an era of transformative economic growth and inclusivity – the figures projected for 2047 represent aspirations and attainable realities.

The exponential potential of this sector is reflected in the expected outcomes: **a 6x increase in retail investors, a 10x rise in per-investor AUM and a mutual fund AUM-to-GDP ratio surpassing 100%.**[55] While optimistic, these projections are achievable goals provided the ecosystem embraces an adaptive, collaborative and investor-centric approach. By addressing challenges such as accessibility, inclusivity and investor education, the industry can significantly deepen capital markets and mobilise funds into key sectors critical to nation-building, such as infrastructure, green energy and innovation.

This transformation will democratise wealth creation and foster robust capital formation, driving sustainable economic growth and ensuring mutual funds become a cornerstone of financial empowerment. The industry can create a nation where financial wellbeing is universally accessible, paving the way for a prosperous and equitable future.

Figure 17: Roadmap to 2047

	2024 (Actual)	Amrit Kaal			2047
Parameter	**Present**	**Initiation**	**Gathering pace**	**Growth**	**Developed**
GDP (INR lakh crore)	279	494	795	1,280	2,492
Total MF AUM (lakh crore)	53.4	172	461	1,152	2,791
AUM/GDP	18.7%	35%	58%	90%	112%
Per capita income (INR lakh)	1.8	3.3	5.2	8.4	16.5
No. of retail investors (crore)	4.5	7.1	11.6	17.5	26.3
No. of AMCs	44	91	142	201	212
No. of distributors/ RIAs (lakh)	2.07	3.06	4.67	6.81	9.95
Retail AUM (INR lakh crore)	34.2	113.2	308.9	788.9	1,953.7
Institutional AUM (INR lakh crore)	19.2	59.6	152.1	362.8	837.3
Retail MF penetration rate (%)	3%	5%	7%	11%	15%

55 PwC analysis

Considerations

- The projections outlined in this paper are predicated on the basis of several key considerations that align with India's economic trajectory and global financial market developments. Fundamental to these projections is India's sustained economic growth, averaging 10% CAGR through 2047, in line with the Government of India's vision of 'Viksit Bharat 2047', targeting a USD 30 trillion economy. This economic expansion is expected to drive significant growth in per capita income from INR 1.8 lakh to INR 16.5 lakh, creating a robust foundation for increased financial asset investment.[56]
- The mutual fund industry's growth trajectory has been benchmarked against 24 major economies with established mutual fund sectors, categorised by their GDP per capita levels. Analysis of emerging and developed markets suggests that India's mutual fund AUM-to-GDP ratio can grow significantly, from 18.7% to 112%, by 2047.[57] Deepening market maturity and increased financialisation of household savings will support this expansion.
- The industry structure is expected to evolve towards global standards, particularly its market concentration. The dominance of top AMCs is projected to moderate from the current 40% market share to 30%, aligning with global benchmarks. Simultaneously, the operational efficiency of AMCs is anticipated to significantly improve, with the average AUM per AMC increasing tenfold, which is comparable to global standards. This will support the growth in AMCs from 44 to 212, creating a more competitive and diverse market landscape.
- The retail–institutional mix in mutual fund AUM is projected to shift gradually from the current 64:36 ratio to a 70:30 split by 2047, mirroring developed markets. Sustained market returns of 11% annually and increasing mutual fund penetration from nearly 3% to 15% of the population will support this transformation. The number of unique mutual fund investors is expected to grow from 4.5 crore to 26 crore during this period, with the average AUM per retail investor reaching INR 74 lakh, evidencing deeper market participation and increased wealth creation through mutual funds.
- The distribution network is projected to grow fivefold to support this expanding investor base, with the number of distributors/RIAs increasing from 2.07 lakh to nearly 10 lakh. This growth corresponds to the rising investor penetration and will be accompanied by increased efficiency, with the average AUM per distributor growing from INR 26 crore to INR 281 crore. This expansion in distribution capacity will be crucial for maintaining service quality and advisory support as the industry scales.
- These projections assume continued regulatory support for market development, sustained improvement in financial literacy and progressive adoption of technology, facilitating access to mutual fund investments. The growth trajectory also factors in increasing penetration in Tier-2 and Tier-3 cities, greater participation from younger investors and a sustained shift in savings and investment vehicles from physical to financial assets.

56 PwC analysis
57 PwC analysis

Conclusion

The Indian mutual fund industry stands at a historic inflection point, having taken decisive steps towards enabling widespread financial wellbeing in a nation with over 1.4 billion aspirations. While developed markets such as the US achieved 5-10x growth[58] in mutual fund AUM over 44 years, India is uniquely positioned to accelerate this journey significantly, powered by its digital public infrastructure and demographic dividend.

With technological advantages like UPI, the account aggregator framework and ONDC, supported by forward-thinking regulation and operating at global efficiency standards, the industry is well-positioned to compress this growth timeline into just 24 years. This transformation mirrors India's leapfrogging journey in digital payments, where we developed a world-class infrastructure that processes more digital transactions than the US, the UK, Germany and France combined.

The road ahead focuses on developing deeper understandings and serving the Indian investor through solutions that balance inclusivity with appropriate incentives across the value chain, leveraging India's robust digital architecture to develop seamless, trust-based interactions.

With a projected sixfold growth in customer base and a tenfold increase in per-investor AUM, driven by initiatives emphasising simplicity, relevance, behavioural and mindset change, inclusivity and last-mile delivery, the industry is poised to catalyse India's wealth creation story. This growth will be further magnified by India's expanding middle class, increasing financial literacy and the shift from physical to financial savings.

As we navigate this era of abundant choice, the commitment to guiding investors towards suitable products will democratise wealth creation and contribute substantially to India's economic prosperity, potentially adding several percentage points to the GDP through efficient capital allocation. The next quarter-century or the 'Amrit Kaal' promises to be transformative, as India becomes a nation where financial wellbeing is not just an aspiration but a widespread reality, creating a model for emerging economies worldwide. Just as India showed the world how to build digital public goods at the population scale, we are also positioned to demonstrate how to achieve financial inclusion and wealth creation at an unprecedented scale and velocity.

As we envision the trajectory towards Viksit Bharat 2047, the promise of financial wellbeing transcends the boundaries of mere inclusion. This paper has articulated a vision where financial systems are enablers and catalysts of personal and national growth. The strategies and frameworks outlined here are designed to transition from a model of access to one of empowerment, ensuring that every Indian citizen can thrive within the financial ecosystem.

The journey from financial inclusion to financial wellbeing is not a linear path; it is a dynamic process requiring all stakeholders' collaboration, innovation and commitment. If executed effectively, the strategies laid out in this paper will potentially multiply retail investors, elevate per capita asset management and integrate mutual funds into the fabric of everyday financial decision-making. By embracing inclusivity, fostering innovation and prioritising education, we can create a financial landscape that is equitable, resilient and robust – paving the way for a future where financial wellbeing is not just an aspiration but a universal reality. Despite the challenges of the road ahead, with concerted efforts, the destination is within our reach.

58 PwC analysis

About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 151 countries with over 360,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

Contact us

Gautam Mehra
Leader – Tax and Regulatory Services
PwC India
gautam.mehra@in.pwc.com

Gayathri Parthasarathy
Technology Leader – Global Financial Services,
Sector Leader – Indian Financial Services
PwC India
gai.partha@pwc.com

Sidharth Diwan
Partner – Business Transformation, Financial Services
PwC India
sidharth.diwan@pwc.com

Ritesh Jha
Director – Business Transformation, Financial Services
PwC India
ritesh.jha@pwc.com

Contributors
Vikas Srivastava
Veer Doshi
Indrajeet Kenjale
Shaunak Shah

pwc.in

Data Classification: DC0 (Public)